

GREATER KOKSTAD MUNICIPALITY

ANNUAL BUDGET OF

GREATER KOKSTAD MUNICIPALITY

2011/12 TO 2013/14
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

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Abbreviations and Acronyms

AMR	Automated Meter Reading	NKPIs	National Key Performance Indicators
ASGISA	Accelerated and Shared Growth Initiative	OHS	Occupational Health and Safety
BPC	Budget Planning Committee	OP	Operational Plan
CBD	Central Business District	PBO	Public Benefit Organisations
CFO	Chief Financial Officer	PHC	Provincial Health Care
CM	Municipality Manager	PMS	Performance Management System
CPI	Consumer Price Index	PPE	Property Plant and Equipment
CRRF	Capital Replacement Reserve Fund	PPP	Public Private Partnership
DBSA	Development Bank of South Africa	PTIS	Public Transport Infrastructure System
DORA	Division of Revenue Act	RG	Restructuring Grant
DWA	Department of Water Affairs	RSC	Regional Services Council
EE	Employment Equity	SALGA	South African Local Government Association
EEDSM	Energy Efficiency Demand Side Management	SAPS	South African Police Service
EM	Executive Mayor	SDBIP	Service Delivery Budget Implementation Plan
FBS	Free basic services	SMME	Small Micro and Medium Enterprises
GAMAP	Generally Accepted Municipal Accounting Practice		
GDP	Gross domestic product		
GDS	Gauteng Growth and Development Strategy		
GFS	Government Financial Statistics		
GRAP	General Recognised Accounting Practice		
HR	Human Resources		
HSRC	Human Science Research Council		
IDP	Integrated Development Strategy		
IT	Information Technology		
kℓ	kilolitre		
km	kilometre		
KPA	Key Performance Area		
KPI	Key Performance Indicator		
kWh	kilowatt		
ℓ	litre		
LED	Local Economic Development		
MEC	Member of the Executive Committee		
MFMA	Municipal Financial Management Act Programme		
MIG	Municipal Infrastructure Grant		
MMC	Member of Mayoral Committee		
MPRA	Municipal Properties Rates Act		
MSA	Municipal Systems Act		
MTEF	Medium-term Expenditure Framework		
MTREF	Medium-term Revenue and Expenditure Framework		
NERSA	National Electricity Regulator South Africa		
NGO	Non-Governmental organisations		

Part 1 – Annual Budget

1.1 Mayor's Report

MAYORAL BUDGET SPEECH FOR THE TERM OF COUNCIL ENDING IN 2011

DELIVERED AT THE COUNCIL CHAMBER ON THE 28TH OF APRIL 2011

The Honourable Speaker of this Council, Councillor Kutshwa;
The Deputy Mayor, who is also the Chief Whip for the ruling party, Councillor Thabethe;
The EXCO Member, Councillor Bhengu
All Fellow Councillors present here today;
The Municipal Manager and entire Management present here today;
Council Support Staff;
Ladies and Gentleman
Good Morning

Today is the 28th of April 2011 and this is just a day after we celebrated our 17th Freedom day, the freedom, for which some of our brothers and sisters paid the ultimate price, so that you and I could enjoy the life we are living today. Today is also exactly 20 days before the 18th of May 2011, which is the day that, besides being set aside for the local government elections, will finally mark an end to our term as Councillors. As we draw down the curtain, we are doing so with our shoulders held very high, knowing that we have done our work amongst the poorest of the poor, we have put services where they were unheard of before, we have touched the poor, the unwanted and the lonely.

Like Mother Teresa once said and I quote ***“Let us touch the dying, the poor, the lonely and the unwanted according to the graces we have received and let us not be ashamed or slow to do the humble work, because Loneliness and the feeling of being unwanted is the most terrible poverty”***. As this council, I have no doubt that we have lived up to the wishes of Mother Teresa.

Honourable Speaker, today marks the last ordinary council meeting for this term of office, which we started in year 2006 and already we are on transition period of governance since our really term of office ended in March this year. I am saying this Mr. Speaker because I want to put on record my appreciation to these councillors about the way they showed dedication, commitment and support of executive committee and administration to ensure that we turn this municipality around for the better of the Greater Kokstad communities and voters. It has been hard, difficult and challenging to lead the better life for all which sometimes has created some tensions, suspicions but we remained focused and dedicated which made us to be winners at the end and continued to rise above our personal characters and provided leadership and advice. There is a saying in Xhosa which says **“ubunzima bomthwalo kudal’ugxekwano”** but we have managed to pull it through.

My fellow councillors and my comrades I think it's only proper that you give yourselves a round of applause because you have done it and you remain the winners and heroes of our communities, the poor, the weak, the lonely and the dying. You are leaving behind a good legacy of improved service delivery, improved financial management, effective and efficient institutional systems, 3 consecutive unqualified audit opinions and well established administrative systems with necessary capacity.

I am standing here Honourable Speaker to make my last budget speech of this council as I was mandated by my movement, the African National Congress to politically lead since 2006 and this budget will be handed over to the newly elected council in May for implementation and I have no doubts that this is one of the good budgets which we have prepared and my incoming comrades will find it easy to implement it fully as it represents the views of our communities. This budget Mr. Speaker is prepared to continue service delivery improvements of this municipality and it will ensure that the mandate, given to my movement the ANC by the people on the 18th May, which is **“working together, we can build better communities”** is easily carried out. On the 28th of May 2010 Mr. Speaker I was standing here presenting the budget speech and on that speech I fully made account of what this council had achieved since 2000 to 2010. From that budget speech it was obvious that a lot had been achieved. Amongst our achievements, Mr. Speaker I would like to highlight the following:

On Institutional transformation we have improved administrative systems, ICT systems, working conditions, and upgraded the Municipal Offices Building. The tender is out to renovate the Council Chamber and before the end of May the tender documents for the new state of the art Civic Centre will be completed. This will then ensure that for many years to come, Kokstad is easily accessible to all.

On Service delivery we have upgraded more than 29,43 km's of surfaced roads which are Bhongweni-Shayamoya link Road, Area 5 & 6 Roads, Horseshoe and Shayamoya taxi routes, Murray and St John's streets, Zietsman, Hawthorn, Schott, Elliot, Barclay, Hammond, Mundel Drive and Walter Sisulu extension Drive and further to that we are currently constructing about 5 Km's of gravel access roads which are Mariskop, New Market, Prince Pakkies and Bhongweni Area 5 & 6. On electricity we have upgraded our capacity through the construction of Bekintaba substation to increase our capacity by 5 MVA, on recreational facilities we have improved Bhongweni, Murray, Shayamoya, Extension Seven and Riverview Sport fields, whilst on housing we have built more than 1400 units at Horseshoe to clear slums, currently busy with infrastructure at Franklin and Makhoba and recently we have built 36 Shayamoya houses for the community members removed from Lindelani School site at Horseshoe.

This means Mr. Speaker that on roads infrastructure alone we have spent more than R70 million and on sport fields and other recreational facilities we have spent more than R7 million and on Housing spent more than R15 million with Electricity spending more than R25 million during our term since 2006. This therefore means that we have spent more than R100 million on infrastructural projects alone.

On Local Economic Development we have lobbied Hansmaresky Plywood Plant and some retail businesses, approved the development of residential, commercial and light industrial by Mimosa which is currently taking place, developed Community projects on Bakeries, Youth Car Wash Projects, Silk Printing Project, Training and support of SMMEs,

On Good Governance we have developed and approved By-laws and policies, we have ensured Compliance with legislations, we have improved public participation

and consultations, we have developed a credible IDP, and we have managed to establish an Internal Audit unit with a fully functioning audit committee.

On Financial Viability we have Improved Financial Management and Reporting, achieved Three consecutive unqualified audit reports, Improved cash flows of the municipality, provided and increased number of indigent beneficiaries for free basic services on electricity and refuse removal, Developed a Revenue Enhancement Strategy.

Mr. Speaker, this 2011/2012 Budget, have been prepared through the guidance of the MFMA circular no 51 and 54, CoGTA guidelines on demarcation of wards, SALGA determination of employees' salaries increments, reviewed IDP as priorities by communities, MFMA and Budget Regulations and we have ensured that we comply with the requirements as follows:

1. We held our IDP Budget review roadshows in November last year.
2. We have tabled the Draft budget to Council in March this year.
3. We conducted Community consultative meetings on the draft budget in all Wards and further consulted the Stakeholders.

Mr Speaker, during our consultative meetings with the communities and stakeholders we have received amongst others the following comments:

- **On wards** - Communities on all wards accepted the budget and appreciated what this Council has achieved so far and further emphasized that, more jobs must be created.
- **On stakeholders** – all our stakeholders consulted appreciated the budget and the tariff increases of just below 6% but they raised some concerns of the salaries budget which was about R80 million and farmers representatives made a request for the consideration of further rebates to all agricultural properties.
- **Written submissions** – we only received submissions from stakeholders confirming what they had raised during consultative meetings and no other submissions received from community members or stakeholders which were contrary to what I have already reported on.

Mr. Speaker, in response to the submissions received, which I have touched on above, the following actions have been taken as a response to the comments received,

- Salaries budget was reviewed and reduced from the draft budget of R81, 4 million to R78, 3 million.
- Rebates for Farmers to be investigated and be considered through consultation on the next budget year.

Now Mr. Speaker, allow me to present the house the 2011/2012 Budget and 2013/2014 Medium Term Expenditure Revenue Framework to council as follows:

On Revenue, it is estimated that this budget will raise revenue to fund this budget from Property Rates for R83, 4 million, from Electricity for R92, 6 million, from Refuse Removal charges for R15, 5 million and from traffic fines and licensing fees for R7 million and other municipal charges like letting of municipal facilities, graves selling, building, zoning, subdivisions, encroachment charges, for R27, 3 million. This has resulted to the total operating revenue of R225, 8 million. An amount of R87, 3 million has also been included in the revenue budget as Conditional Grants of R37, 1 million to fund capital expenditure of projects, R7, 3 million to fund institutional capacity programs and an unconditional grant of equitable share for R42, 9 million to fund the free basic services and municipal operations to provide service delivery.

Mr. Speaker I want to emphasize that, on the R225,8 million of council budgeted revenue to be raised, an amount of R53,1 million has been a surplus realized when all expenditures funded and this has been therefore transferred to fund our capital expenditure for projects as a top up to the grants to be received as mentioned above. This therefore Mr. Speaker makes me proud to present the total revenue budget of R312 million for 2011/2012 and this is inclusive of conditional and unconditional grant. This budgeted revenue councillors, means that our tariff of charges for this budget year of 2011/2012 are set to increase as follows:

Electricity Charges

From 2007 Mr. Speaker it has been a National challenge that the electricity supply has become limited in its capacity and we know that, since then we had experienced load shadings as a measure to ensure that we save electricity. Even today, that challenge is still there and our communities are always encouraged to save electricity to avoid a situation where one day our country will be in the dark due to limited capacity to supply the country. This unfortunately has not left Kokstad outside as we are all affected and therefore with the high increases of electricity we are unable to avoid. Our tariffs for electricity will increase by 20.38% across the board and this will be just passing the Eskom increases to the consumer.

Property Rates

For residential properties of all categories the rate is to be 0.021 cent per rand value,
For business, industrial and government for business purposes to be 0.0314 cent per rand value,
For Farmers, Agriculture, Public Benefit Organizations and Public Service Infrastructure to be 0.00315 cent per rand value which will be not more than 25% of the residential net charge,

The following rebates will apply Mr. Speaker to bring tax relief to our rate payers:

Residential Properties to receive 41% discount on their charged rates and businesses with industrial properties to receive 22% discount on their charged rates. Further to these rebates Mr. Speaker I am proud to announce that the residential properties will receive an extra Forty Thousand exemption from their values which will not be charged property rates as tax and this means Mr. Speaker, all properties with a value of Forty Thousand rands and less will not be rated and charged tax and those above Forty Thousand rands (40,000) will be charged on their values less Forty Thousand rand Value.

As a caring council Mr. Speaker, I am also proud to announce to this chamber today that, all pensioners who have registered and indigent households who have been approved will receive 100% rebates on property rates and this means they will pay nothing when it comes to rates tax. Also for Public Benefit Organizations rebates of 100% will apply and 30% rebates for Public Service Infrastructure will be granted Mr. Speaker. It is important Mr. Speaker to advise council that, all these rebates and discounts will cost this council an amount of R10 million, which is included in the general expenditure budget as income foregone and this means Mr. Speaker the council will pay these benefits from its coffers. Therefore my fellow councillors, the property rates increases will be 5%.

Other Charges

All other charges inclusive of the refuse removal Mr. Speaker will increase by 5% only. On expenditure Mr. Speaker we have allocated the revenue for 2011/2012 as follows, Salaries, wages and councillors' allowances are budgeted to be R78, 3 million from R63, 6 million which will be overall 23% increase. The budget for salaries remains within the required norm of 30-35% on the total budget as our percentage is 35% of the operating budget and 28% of the Total Budget. It is important Mr. Speaker to report to this council that, on salaries it has been ensured that all critical important post are budgeted for and 7% increase has been included for employees as will be required for annual increases and 10% estimated for councillors remuneration increases as to be determined by Minister. Also include Mr. Speaker is the remuneration for extra five councillors due to changes by demarcation.

On operating expenditure to run the operations of the municipality in ensuring that the services are provided to all in the municipality an amount of R129,1 million including R50,3 million of bulk purchase of electricity from Eskom has been allocated and this has been increased from R114,8 million by R14,3 million from 2010/2011 budget year. This budget of R129, 1 million also include an amount of R46 million which is set for the following items and allocations to these items had to be supported by a list and/or motivation setting out the intention and cost of the expenditure which was used to prioritize expenditures as follows,

- Strategic Planning and Capacity Building – R750,000
- Community Participation – R1,200,000
- Communication and Corporate Imaging – R1,370,000
- Internal Audit and Risk Management – R1,050,000
- Youth, Sport and Recreation Programs – R2,500,000
- Special Programs – R1,180,000
- Revenue Management – R9,200,000
- Customer Care Management – R300,000
- Supply chain Management – R650,000
- Asset Management – R1,000,000
- Budget Reporting and Audit Management – R2,500,000
- Local Economic Development Initiatives – R2,615,000
- Planning Projects – R400,000
- Community Services programs – R3,310,000
- Community Safety programs – R2,250,000
- Administration programs – R9,433,800

- Human Resources Management – R5,170,000
- Subsistence, Travelling & Conference fees – R2, 000,000.

Mr. Speaker, I must admit to this council today that, on repairs and maintenance we are still lacking in terms of improving the budget allocation. This has been caused by the fact that we have been operating with the ageing infrastructure which was costing more to maintain rather than rolling out the new infrastructure. However, Mr Speaker, my advice to the Municipal Manager and the incoming Council is to ensure that for the next budget, this area must improve to ensure that, the entire new infrastructure we are putting will be properly maintained. This means Mr. Speaker our budget allocation has been set R7, 4 million increased by merely R1, 2 million from budget of R6, 2 million of 2010/2011.

Mr. Speaker for provisions as required by some regulations and legislations for leave pay, debtors and assets impairments an amount of R6, 6 million has been allocated in the budget. When we took over this municipality in year 2000, loans for infrastructure of R15 million for electricity, R2,8 million for roads were taken from financial institutions with a repayment terms of more than 10 years and it is a great pleasure to report to you today that all those loans will be paid in full and be settled by 30 June this year and the only loan to remain will be the loan of R5, 8 million raised in year 2006 to finance the upgrade of Bekintaba substation for 5 MVA capacity and this will be settled in 3 years to come by 2014. This therefore leaves this municipality with the budget allocation of R1, 5 million on loan repayments decreased from R4, 8 million budgets in the prior budget year by R3, 3 million. What this means in the main Mr Speaker is that we are in this front leaving this Council without any major financial burden.

Allow me therefore my fellow councillors to present to you the total budget of general expenditure of R222, 9 million for salaries, general expenditure, repairs and maintenance, loan repayments and other provisions. This has been increased from R196, 4 million by R26, 5 million.

It must be noted fellow councillors that, this operating budget includes R10 million of rebates and exemptions on rates as explained earlier. Before I present the capital budget, let me remind this house that, I have been the Mayor since 2006 and all of us we have been councillors since 2006 mandated by our political parties and endorsed by voters to come and improve their lives which then the manifesto of my organization African National Congress was on peoples' contract which we needed to create more contracts for our communities in terms of jobs, projects and welfare to provide better life for all.

In my last year budget speech I made count of our achievements in this council to improve lives of the people and today I am not to repeat that, but I will continue making count of what has been achieved during my term as the mayor and it is important to report that I have managed to lead those achievements through the support of my executive committee and my council. When we started, we took over the draft budget for our first financial year which had been prepared under the leadership of my fellow Councilor and comrade, the former Mayor, Honorable Councilor Mathe, which was already prepared to provide the direction on how we were going to improve the lives of our people. Fellow Councillors, you will remember that the budget for 2006/2007 was approved at R89, 1 million for operating and R34, 6 million for capital. However Mr. Speaker we eventually approved a budget of R123, 7 million which was 72% and 28% operating and capital expenditures respectively. In

that year, we allocated R6, 5 million from council revenue to top up on capital budget and that was only 11% of our council revenue.

We continued Mr. Speaker by adopting the 2007/2008 budget of R115, 246 million operating and R38, 784 million capital budgets. For 2008/2009 we adopted a budget of R154, 246 million operating and R64, 037, million capital budgets. Just last year for 2009/2010 we adopted a budget of R161, 343 million operating and R88, 276 million capitals. In addition, you will notice that, since 2006, the salaries percentage on operating budgets have improved from 37% in 2006/07 to 35% in 2007/2008 and 30% for 2008/2009, with 27% for 2009/2010 and now is sitting at 26% for the 2010/2011 being presented today.

This means, we have ensured that, we direct more internal financial resources to capital budgets to top up on grants allocated as follows:

2006/2007	R6, 575,000	
2007/2008	R8, 410,000	(28% increase from 2006/07 contributions)
2008/2009	R19, 500,572	(132% increase from 2007/08 contributions)
2009/2010	R35, 473,609	(82% increase from 2008/09 contributions)
2010/2011	R39, 465,300	(11% increase from 2009/10 contributions)
2011/2012	R53, 163,560	(35% increase from 2010/11 contributions)

Our total capital budgets have improved year after year from R 34,623 million in 2006/2007 to R90, 440 million in 2010/2011 and this has been an increase of R55, 817 million for the past 5 years which is an increase of 159%. Mr. Speaker, there are very few, if any municipalities at all who can boast about such developments.

Honorable Speaker and Councillors allow me to present in details as per ward what we have achieved as follows,

Ward 1

Horseshoe taxi route, we have managed to surface main road from gravel to tar, Completed 1475 houses, electrified 1225 of those houses, installed street lights, renovated community hall, constructed dual purpose dipping tank, finalization of Area 9 and 10 houses and construction of Kransfontein bridge.

Ward 2

Acquisition of land for Franklin development of houses, finalization of Makhoba housing project, introduction of refuse removal, community gardens, block making projects, construction of infrastructure for services in Franklin and Makhoba and transfer of Spoornet houses with water plant and electricity station.

Ward 3

Murray park sports field, St John's and Murray streets upgrade, fencing of Town Hall and Library, Kokstad roads as phase 3 and 4, and acquisition of cemetery land.

Ward 4

Construction of community hall and sport field, Jim Payne Street lights, walkways and community Gardens.

Ward 5

Community hall renovations, Silk screen printing project, and car wash. Mr Speaker, I would be failing in my responsibility as the Mayor if I don't remind this house that at Ward 5, this Council approved a Youth Sports and Indoor facility valued at more than R 20 million. All the planning work has been done and this should go out to tender soon.

Ward 6

Phola park bridge, title deeds hand over, Shayamoya taxi route, upgrade of Bhongweni Stadium, community hall renovations, Bakery project, Area 5 and 6 roads surfacing and Shayamoya/Bhongweni link road surfacing, fencing of dump site and its rehabilitation.

On top of these projects Mr. Speaker, I will be falling short if I do not mention that, we have further achieved the following,

1. Lobbying of Hans Merensky to come and invest in our municipality and create more jobs for our people,
2. Partnership with Friends of Ireland on day care centre for Franklin,
3. Pick N Pay, Makhoba Beef and Vegetable project,
4. Upgrade of Municipal Offices,
5. Shayamoya Precinct in partnership with our friend Respond from Ireland,
6. Electricity upgrade of Bekintaba Substation, and
7. ICT network upgrade to the first world standard.

Mr. Speaker also from the institutional development perspective, we have achieved a lot, and to mention few:

1. The renovations of municipal offices in Hope Street, which has become a landmark
2. Implementation of the latest financial management systems (Munsoft and VIP),
3. Three consecutive unqualified audit opinions,
4. Convenient ways of making payments for services and purchasing of pre-paid electricity,
5. Municipal policies and by-laws.

For the past 5 years Mr. Speaker and as at end of April this year, we have actually spent more than R700 million to all the projects and operations of the municipality and on capital budgets we have performed as follows:

- 2006/2007 R20, 6 million and this was 60% of the approved budget,
- 2007/2008 R27, 4 million and this was 71% of the approved budget,
- 2008/2009 R44, 2 million and this was 70% of the approved budget,
- 2009/2010 R50, 8 million and this is 60% of the approved budget,
- 2010/2011 R61, 3 million and this is 86% of the approved budget.

This shows that, although we had our own challenges, we have ensured that we shift our focus to the main reason of our existence, which was making local government work better for the people by providing accessible services.

At this juncture, I want to thank our Accounting Officer, Mr. Nkosi, the entire Section 57 Manager and the entire Management within the Municipality for assisting us in implementing the manifesto of the ANC.

Allow me therefore Mr. Speaker to present the capital budget as follows,
The total budget for capital expenditure to improve service delivery is set to be R90, 4 million allocated per ward as follows,

Ward 1 R7,3 million,

Housing Project
Electricity In fills
Mpela Road surfacing
Horseshoe taxi route phase 2

Ward 2 R10,3 million,

Construction of Makhoba Housing Units
Construction of Franklin Housing Units
Electrification – Kransdraai
Kargs Post Refurbishment

Ward 3 R16,3 million,

Murray Park Stadium Lights
Reconstruction of Kokstad Roads Phase 4
Murray Park Flood Lights/ Electricity Master Plan
Upgrade of Taxi and market Square
Kokstad roads phase 5
Swimming pool
Renovation of Town Hall & Council Chamber
Electrical Depot Refurbishment

Ward 4 R14,0 million,

Upgrading of Riverview Stadium
Riverview Stadium
Slum Clearance : 34 Houses
Street lights

Ward 5 R9,6 million,

Reconstruction of Kokstad Roads Phase 5
Upgrading of existing courts into Indoor facility

Ward 6 R4,6 million,

Willowdale 27
Electrification Pakkies
Community Hall Ext- 7
Side Walk Extension – 7

Ward 7 R0,5 million and

Upgrading of Walter Sisulu Ext

Ward 8 R2, 0 million.

Bhongweni Stadium Stands
Installation of Infrastructure in homes 2000
Shayamoya Taxi Route phase 2

The other projects to benefit the entire municipality jurisdiction are budgeted at R25, 6 million and these include institutional projects and other projects like municipal properties which are for the service delivery like the upgrade of the Town Hall budget R10 million for this financial year but expected to be spread to outer years, R5 million for land fill site, R2 million for Disaster Station, R6 million for street lights and electricity upgrade and many more.

As I draw towards closure, I want to quote one of the scholars of the past century, a communist, a philosopher and a visionary leader, Karl Marx. In a letter that he wrote to his father in 1837, he wrote and I quote “ ***If we have chosen the position in life in which we can most of all work for mankind, no burdens can bow us down, because they are sacrifices for the benefit of all; then we shall experience no petty, limited, selfish joy, but our happiness will belong to millions, our deeds will live on quietly but perpetually at work, and over our ashes will be shed the hot tears of noble people.*** Fellow Councillors as we meet here for the last time today, we are full of anxiety as we do not know where our next pay cheque will come from after the 25th of May 2011. As if that was not enough, we have been accused of a lot of things and our names continue to be dragged in the mud as if we are some aliens or unwanted animals. They are doing this unaware that ***“He who will hold another down in the mud must stay in the mud to keep him down.”*** So said Chinua Achebe , the world respected Nigerian Writer. In addition, there are ongoing accusations that we are secretly encouraging people either not to vote or to vote for any other political parties but the ANC. However, Mr. Speaker I personally and on behalf of this council have no doubt in my mind that we have lived up to Karl Marx’s letter and as we bow down, history will prove that all that we have done was no for our own selfish gains but for the people of Kokstad, and to ensure that if people chose not to vote for the ANC, it I not because we have failed to deliver, but for other reasons. Mr. Speaker, Abraham Lincoln, the American President between 1861 and 1865, who abolished slavery once said and I quote ***“In times like these men should utter nothing for which they would not be willingly responsible through time and in eternity.”***

We are further aware of the pressure that has been placed on some of our managers and staff members. Some of them have even resolved to do unethical things like stealing critical

municipal documents on the promise that if they do so, their jobs will be secured. As this council we are aware that there are creeping divisions amongst managers brought about by the anxiety and the fear for the unknown. My message to you is that as this Council we thank you unreservedly for the work you have done for the people of Kokstad and the assistance you have given to this Council. Without your administrative support, we would never have achieved what we did. My last words to you are, remain focused and professional, mindful of the fact that in addition to be compatriots, you are professionals who have CV's to protect. W. Clement Stone, one of the best selling American writers once said and I quote **"Have the courage to say no. Have the courage to face the truth. Do the right thing because it is right. These are the magic keys to living your life with integrity."**

Last but not least, to the Accounting Officer, Mr. Nkosi, we are equally aware of the pressures you have had to deal with recently. We are also aware that at times you have been painted with the same brush as the outgoing council. It is my hope that your principles, respect for the authority and the law as well as a good working relationship with people at all levels, will continue beyond the term of this Council, and if you are to leave this municipality, I hope that your relationship with this Council and the latest political developments will not become career limiting, as such will be a huge loss to public administration. People like you are very rare and those that we have must be looked after, and kept within the system.

In conclusion Mr. Speaker, allow me to table the final operating and capital budget for approval for 2011/2012 as follows:

Total Operating Budget of R221, 6 million and Total Capital Budget of R90, 4 million, which therefore is the Total Budget of R312 million.

In closing Mr. Speaker, I would like to thank my fellow councillors, the Municipal Manager and his Management team for their continued support and togetherness during the budget preparation processes, and also I would like to thank the community members and stakeholders for their full participation on these budget processes. Without them, we would have not achieved the level we are at today and working together we will do more in building better communities.

Finally, Mr. Speaker I therefore table to this council a 2011/2012 and 2012/2013 to 2013/2014 Medium Term Revenue and Expenditure Forecasts of R312 million, R353 million and R329 million for final approval and request this Council to deliberate and vote on the same

I thank you all.

BY HIS WORSHIP, THE MAYOR

**CLLR M SITHOLE
28 APRIL 2011**

1.2 Council Resolutions

On 28 April 2011 the Council of Greater Kokstad Municipality met in the Council Chambers to consider the annual budget of the municipality for the financial year 2011/12. The Council approved and adopted the following resolutions:

1. The Council of Greater Kokstad Municipality , acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1. The annual budget of the municipality for the financial year 2011/12 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 18 on page 24;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 19 on page 26;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 21 on page 28; and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 22 on page 30.
 - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 23 on page 32;
 - 1.2.2. Budgeted Cash Flows as contained in Table 24 on page 34;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 25 on page 34;
 - 1.2.4. Asset management as contained in Table 26 on page 36; and
 - 1.2.5. Basic service delivery measurement as contained in Table 27 on page 38.
2. The Council of Greater Kokstad Municipality , acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2010:
 - 2.1. the tariffs for property rates – as set out in Annexure A,
 - 2.2. the tariffs for electricity – as set out in Annexure B
 - 2.3. the tariffs for the supply of refuse removal – as set out in Annexure C
 - 2.4. the tariffs for other charges – as set out in Annexure E
3. The Council of Greater Kokstad Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2010 the tariffs for other services, as set out in Annexures E1 to E21 respectively.
4. To give proper effect to the municipality's annual budget, the Council of Greater Kokstad Municipality approves:
 - 4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Some of these revenue collection strategies are electricity cut offs of consumers on arrears more than 30 days, signing of acknowledgement of debts and making arrangements as per council policies and bylaws on debt collection and credit control. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 51 and 54 were used to guide the compilation of the 2011/12 MTREF.

The main challenges experienced during the compilation of the 2011/12 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and with also ensuring the non declining cash position of the municipality;
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2011/12 MTREF process; and
- Availability of affordable capital.

The following budget principles and guidelines directly informed the compilation of the 2011/12 MTREF:

- The 2010/11 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2011/12 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;

- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- An upper limit of R46 million was set for the following items and allocations to these items had to be supported by a list and/or motivation setting out the intention and cost of the expenditure which was used to prioritise expenditures:
 - Strategic Planning and Capacity Building – R750,000
 - Community Participation – R1,200,000
 - Communication and Corporate Imaging – R1,370,000
 - Internal Audit and Risk Management – R1,050,000
 - Youth, Sport and Recreation Programs – R2,500,000
 - Special Programs – R1,180,000
 - Revenue Management – R9,200,000
 - Customer Care Management – R300,000
 - Supply chain Management – R650,000
 - Asset Management – R1,000,000
 - Budget Reporting and Audit Management – R2,500,000
 - Local Economic Development Initiatives – R2,615,000
 - Planning Projects – R400,000
 - Community Services programs – R3,310,000
 - Community Safety programs – R2,250,000
 - Administration programs – R9,433,800
 - Human Resources Management – R5,170,000
 - Subsistence, Travelling & Conference fees – R2, 000,000.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2011/12 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2011/12 MTREF

R thousand	Adjustments Budget 2010/11	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Total Operating Revenue	228,006,609	312,041,064	353,104,658	329,118,398
Total Operating Expenditure	190,908,778	274,764,064	287,542,658	304,519,859
<i>(Surplus)/Deficit for the year</i>	37,097,831	53,163,560	40,436,746	47,489,655
Total Capital Expenditure	70,687,831	90,440,560	105,998,746	72,088,195

Total operating revenue has grown by 17.33 per cent or R39.5 million for the 2011/12 financial year when compared to the 2010/11 Adjustments Budget. For the two outer years, operational revenue will increase by 24.56 and 32.15 per cent respectively, equating to a total revenue growth of R73.3 million over the MTREF when compared to the 2010/11 financial year.

Total operating expenditure for the 2011/12 financial year has been appropriated at R274.7 million and translates into a budgeted surplus of R53 million. When compared to the 2010/11 Adjustments Budget, operational expenditure has grown by 12.28 per cent in the 2011/12 budget and by 29.28 and 34.75 per cent for each of the respective outer years of the MTREF. The operating surplus for the two outer years steadily increases to R40.4 million and then stabilise at R47 million. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R90.4 million for 2011/12 is 28.2 per cent more when compared to the 2010/11 Adjustment Budget. The increase is due to various projects being to be embarked on for the 2011/12 financial year. The capital programme increases to R105.9 million in the 2012/13 financial year and then evens out in 2013/12 to R72.0 million. A substantial portion of the capital budget will be funded from council surpluses over MTREF with anticipated transfers of R40.4 million in 2012/13 and of R47.4 million for 2013/14 MTREF. Surpluses will contribute 28.2, 17.2 and 32 per cent of capital expenditure in each of the MTREF years, when government grants and transfers are excluded.

1.4 Operating Revenue Framework

For Greater Kokstad Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The following table is a summary of the 2011/12 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description R thousand	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<u>Revenue By Source</u>										
Property rates	22,244	20,599	58,237	59,544	62,398	62,398	62,398	74,460	78,928	83,663
Property rates - penalties & collection charges	–	–	5,265	1,800	2,001	2,001	2,001	2,501	2,651	2,810
Service charges - electricity revenue	39,318	33,636	55,025	58,884	75,510	75,510	75,510	91,378	96,861	102,673
Service charges - water revenue	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	6,855	6,609	9,165	8,489	12,000	12,000	12,000	15,500	14,840	15,730

Service charges - other	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	-	-	635	-	-	-	-	-	-	-
Interest earned - external investments			439	1,081	679	679	679	1,000	1,060	1,124
Interest earned - outstanding debtors			1	41	10	10	10	10	11	12
Dividends received	-	-	-	-	-	-	-	-	-	-
Fines			4,129	3,002	5,474	5,474	5,474	7,000	7,420	7,865
Licences and permits	-	-	773	-	-	-	-	5,600	5,936	6,292
Agency services	-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational			39,946	33,923	42,565	42,565	42,565	49,306	54,439	57,883
Other revenue	30,245	35,673	42,503	16,827	64,452	64,452	64,452	65,286	90,959	51,066
Gains on disposal of PPE	-	-	566	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	98,662	96,517	216,684	183,590	265,089	265,089	265,089	312,041	353,105	329,118

Table 3 Percentage growth in revenue by main revenue source

Description R thousand	Current Year 2010/11		2011/12 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2011/12	%	Budget Year +1 2012/13	%	Budget Year +2 2013/14	%
Revenue By Source								
Property rates	62,398	23.5%	74,460	23.6%	78,928	22.5%	83,663	25.6%
Property rates - penalties & collection charges	2,001	0.7%	2,501	0.8%	2,651	0.8%	2,810	0.8%
Service charges - electricity revenue	75,510	28.5%	91,378	28.9%	96,561	27.4%	102,673	31.3%
Service charges - water revenue	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	-	-	-	-	-	-	-	-
Service charges - refuse revenue	12,000	4.5%	15,500	4.9%	14,840	4.2%	15,730	4.8%
Service charges - other	-	-	-	-	-	-	-	-
Rental of facilities and equipment	-	-	-	-	-	-	-	-
Interest earned - external investments	679	0.2%	1,000	0.3%	1,060	0.3%	1,124	0.3%
Interest earned - outstanding debtors	10	-	10	0%	11	0%	12	0%
Fines	5,474	2.1%	7,000	2.2%	7,420	2.1%	7,867	2.4%
Licences and permits	-	-	5,600	-	-	-	-	-
Agency services	-	-	-	-	-	-	-	-
Transfers recognised - operational	42,565	16.0%	49,306	15.4%	54,439	15.2%	57,883	17.4%
Other revenue	64,452	24.5%	65,286	23.9%	90,959	27.5%	51,066	17.4%
Gains on disposal of PPE	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	265,089	100%	312,041	100%	353,105	100%	329,118	100%
Total revenue from rates and service charges	167,908	51.9%	190,338	63.9%	200,168	76.4%	212,179	55.1%

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise more than two thirds of the total revenue mix. In the 2010/11 financial year, revenue from rates and services charges totalled R157 million or 63.9 per cent. This increases to R190.3 million, R200, 1 million and R212, 1million in the respective financial years of the MTREF. A notable trend is the increase in the total percentage revenue generated from rates and services charges which increases from 60.3 per cent in 2011/12 to 64.6 per cent in 2013/14. This growth can be mainly attributed to the increased share that the sale of electricity

contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in Table 64 MBRR SA1 (see page 99).

Property rates is the second largest revenue source totalling 23.6 per cent or R74.4million rand and increases to R83.6million by 2013/14. The third largest sources is 'other revenue' which consists of various items such as income received from permits and licenses, building plan fees, connection fees, transport fees and advertisement fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R84, 7 million in the 2011/12 financial year and steadily increases to R114.6 million by 2012/13. Note that the year-on-year growth for the 2011/12 financial year is 28.9 per cent and then flattens out to 32.8 and 23.6 per cent in the two outer years. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
RECEIPTS:									
-									
<u>Operating Transfers and Grants</u>									
National Government:	19,555	20,232	26,281	32,124	39,946	39,946	44,986	49,860	53,030
Local Government Equitable Share	15,055	18,997	22,796	28,639	36,196	36,196	42,946	47,560	50,680
Levy replacement	-	-	-	-	-	-	-	-	-
Finance Management	500	500	2,750	2,750	3,000	3,000	1,250	1,500	1,500
Municipal Systems Improvement	4,000	735	735	735	750	750	790	800	850
Restructuring	-	-	-	-	-	-	-	-	-
Department of Water Affairs	-	-	-	-	-	-	-	-	-
Property Rates/Libraries	-	-	-	-	-	-	-	-	-
Provincial Government:	-	-	-	-	-	-	2,613	2,770	2,928
	-	-	-	-	-	-	-	-	-
Ambulance subsidy	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-
Sports and Recreation	-	-	-	-	-	-	150	159	169
Property Rates/Libraries	-	-	-	-	-	-	2,463	2,611	2,759
Total Operating Transfers and Grants	19,555	20,232	26,281	32,124	39,946	39,946	47,599	52,630	55,958
<u>Capital Transfers and Grants</u>									
National Government:	7,359	32,763	23,611	39,811	16,438	16,438	15,927	28,665	24,430
Municipal Infrastructure (MIG)	7,359	25,313	23,611	13,771	14,590	14,590	15,927	19,365	20,430
Public Transport	-	-	-	-	-	-	-	-	-

Public Works	-	-	-	-	-	-	-	-	-
Sport and Recreation	-	5,400	-	-	-	-	-	-	-
Water Affairs	-	-	-	-	-	-	-	-	-
NEP Grant		2,050	-	26,040	1,848	1,848	-	9,300	4,000
Provincial Government:	15,700	-	-	11,903	15,400	15,400	21,200	33,385	-
Housing	15,700	-	-	11,903	15,400	15,400	21,200	33,385	-
Total Capital Transfers and Grants	23,059	32,763	23,611	51,713	31,838	31,838	37,127	62,050	24,430
TOTAL RECEIPTS OF TRANSFERS & GRANTS	42,614	52,995	49,892	83,837	71,784	71,784	84,726	114,680	80,388

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of Eskom bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Property Rates

Local Government: Municipal Property Rates Act 6 of 2004 (hereinafter referred to as the MPRA) and Section 62 (1) (f) of the Local Government: Municipal Finance Management Act 56 of 2003 (hereinafter referred to as the MFMA) provides that a Municipality should adopt and implement a policy on the levying of Rates on ratable property. Section 3 of the Act provides that the Rates Policy takes effect on the effective date of the first valuation roll prepared by the Municipality in terms of this Act. This document sets out the Policy of the Greater Kokstad Municipality and must be read with the MPRA. In applying the rates policy the Municipality will meet the requirements of the MPRA and the MFMA, including any Regulations made under these Acts. The rates policy as set out in this document arises from and is prepared in keeping with the tenor of the preamble and the detail of the legislation in the Local Government: Municipal Property Rates Act No. 6 of 2004. All of the provisions contained in that legislation have been taken into consideration in the preparation of this rates policy.

The following stipulations in the Property Rates Policy are highlighted:

- All residential properties with the market value of less than R40 000.00 are exempted from paying rates. The R15 000.00 impermissible rates contemplated in terms of Section 17(1)(L) of the Municipal Property Rates Act is included in the amount of R40 000.00.

The rates rebates to approved categories of properties are as follows:-

- | | |
|---|------|
| 1. Residential: | 41% |
| Residential properties used for multiple purposes | 0% |
| 2. Industrial, business and commercial: | 20% |
| (Subject to individual application or national / regional / municipal incentive scheme) | |
| 3. Agricultural | 0% |
| 4. Small holdings: | 50% |
| 5. State owned properties: Residential | 41% |
| 6. Public service infrastructure | 30% |
| 7. Other | 0% |
| 8. Public benefit organisations | 100% |
| 9. Communal land: | 50% |
| 10. Municipal owned properties: | |
| • Residential | 100% |
| • Public service infrastructure | 30% |
| • Other | 100% |
| • State trust land: | 100% |
| • Protected areas: | 100% |
| • National monuments: | 100% |

Subject to the provision of multiple use properties where a property is used for multiple purposes, each part of the property shall be separately valued and the rebate applicable to such use shall be granted in respect of that part.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2011/12 financial year based on a 5 per cent increase from 1 July 2011 is contained below:

Table 5 Comparison of proposed rates to levied for the 2011/12 financial year

Category	Current Tariff (1 July 2010)	Proposed tariff (from 1 July 2011)
	c	C
Residential properties	2,0	2,1
State owned residential properties	2,0	2,1
Business, Commercial and Government	3,0	3,15
Agricultural/Farms	0,5	0,0315
Vacant land	2,0	2,1
Municipal rateable	2,0	2,1
Industrial	3,0	3,15
Public Service Infrastructure	0,5	0,0315
Public benefit organisation properties	0,5	0,0315

1.4.2 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure. A 19 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2010.

Considering the Eskom increases, the consumer tariff had to be increased by 20.38 per cent to offset the additional bulk purchase cost from 1 July 2011. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity. Registered indigents will again be granted 50 kWh per 30-day period free of charge.

The following table shows the impact of the proposed increases in electricity tariffs on the water charges for domestic customers:

Table 6 Comparison between current electricity charges and increases (Domestic)

Monthly consumption kWh	Current amount payable R	Proposed amount payable R	Difference (Increase) R	Percentage change
100	74,33	89.48	15.15	20%
250	74.33	89.48	15.15	20%
500	118.14	142.22	24.08	20%
750	118.14	142.22	24.08	20%
1 000	118.14	142.22	24.08	20%

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2011. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). The Municipality has entered into discussions with NERSA regarding the suitability of the NERSA proposed stepped tariffs compared to those already being implemented by the Municipality already. Until the discussions are concluded, the Municipality will maintain the current stepped structure of its electricity tariffs.

The inadequate electricity bulk capacity of municipality and the impact on service delivery and development remains a challenge for the Municipality. The upgrading of the Municipality's electricity network has therefore become a strategic priority, especially the substations and transmission lines.

Owing to the high increases in Eskom's bulk tariffs, it is clearly not possible to fund these necessary upgrades through increases in the municipal electricity tariff – as the resultant tariff increases would be unaffordable for the consumers.

1.4.3 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a surplus. On consideration of inflation forecast and the provisioning of the cleansing safety services in ensuring that the municipal citizens are leaving in a clean and healthy environment also are safe from fire damages, the charges on refuse removals and general cleaning of the municipal area are proposed to increase by 5%.

The following table compares current and proposed amounts payable from 1 July 2011:

Table 7 Comparison between current waste removal fees and increases

	WASTE REMOVAL	MUNICIPALITY CLEANING	WASTE REMOVAL	MUNICIPALIT Y CLEANING
Tariff per container per month or part of a month: Areas serviced by means of: (Tariff is multiplied by the number of service rounds per week and the number of containers.)	Per month (R)		Per month (R)	
	2010/2011		2011/2012	
Per Bin per month	227	227	238.35	238.35
Refuse for bulk containers per month	373	373	391.65	391.65
Cost per removal per container	130	130	136.50	136.50
Not exceeding two removals per week	155	155	162.75	162.75

1.4.4 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

All other municipal charges for the direct services provided on municipal citizen's request are proposed to increase by 5%. These are services like use of municipal facilities, cemetery services, other traffic management services, building control services, planning services and etc

Table 8 KZN 433 GREATER KOKSTAD Table SA14 – Household bills

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework			
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12 % incr.	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Rand/cent										
<u>Monthly Account for Household - 'Large' Household</u>										
Rates and services charges:										
Property rates		2,199	2,199	43,992	43,992	43,992	9%	47,951	50,109	52,364
Electricity: Basic levy		576	576	645	645	645	25%	806	843	880
Electricity: Consumption		31,128	31,128	43,052	43,052	43,052	25%	53,815	56,237	58,767
Refuse removal		1,529	1,529	1,713	1,713	1,713	10%	1,884	1,969	2,058
Other			-	-	-	-	0%	-	-	-
sub-total	-	35,432	35,432	89,402	89,402	89,402	17%	104,457	109,157	114,069
VAT on Services										
Total large household bill:	-	35,432	35,432	89,402	89,402	89,402	17%	104,457	109,157	114,069
% increase/-decrease		0%	0%	152%	0%	0%		17%	5%	4%
<u>Monthly Account for Household - 'Small' Household</u>										
Rates and services charges:										
Property rates		396	396	792	792	792	9%	863	902	943
Electricity: Basic levy		576	576	645	645	645	25%	806	843	880
Electricity: Consumption		2,054	2,054	2,753	2,753	2,753	25%	3,441	3,596	3,758
Refuse removal		1,529	1,529	1,713	1,713	1,713	10%	1,884	1,969	2,058
Other			-	-	-	-	0%	-	-	-
sub-total	-	4,555	4,555	5,903	5,903	5,903	19%	6,995	7,310	7,639
VAT on Services										
Total small household bill:	-	4,555	4,555	5,903	5,903	5,903	19%	6,995	7,310	7,639
% increase/-decrease		-	-	0.30	-	-		0.19	0.04	0.05

<u>Monthly Account for Household - 'Small' Household receiving free basic services</u>										
Rates and services charges:										
Property rates		5,138	5,138	5,138	5,138	5,138	9%	5,600	5,852	6,116
Electricity: Basic levy		–	–	–	–	–	0%	–	–	–
Electricity: Consumption		600	600	600	600	600	25%	750	784	819
Refuse removal		1,126	1,126	1,126	1,126	1,126	10%	1,239	1,294	1,353
Other		–	–	–	–	–	0%	–	–	–
sub-total	–	6,864	6,864	6,864	6,864	6,864	11%	7,589	7,931	8,287
VAT on Services	–	6,864	6,864	6,864	6,864	6,864	11%	7,589	7,931	8,287
Total small household bill:	–	–	0%	0%	0%	0%	11%	11%	4%	4%
% increase/-decrease										

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2011/12 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services.

The following table is a high level summary of the 2011/12 budget and MTREF (classified per main type of operating expenditure):

Table 9 Summary of operating expenditure by standard classification item

Description	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand										
<u>Expenditure By Type</u>										
Employee related costs	34,245	40,411	59,959	49,927	60,459	60,459	60,459	73,487	77,896	82,570
Remuneration of councillors	–	–	–	3,154	3,178	3,178	3,178	4,831	5,121	5,429
Debt impairment	–	–	18,394	–	–	–	–	2,500	2,650	2,809
Depreciation & asset impairment	–	–	3,865	–	2,000	2,000	2,000	2,000	2,120	2,247
Finance charges	2,348	2,456	1,418	1,383	3,194	3,194	3,194	1,525	1,617	1,714
Bulk purchases	16,378	28,928	33,586	33,545	43,750	43,750	43,750	50,350	53,371	56,573
Other materials	–	–	–	–	–	–	–	–	–	–
Contracted services	–	–	–	–	–	–	–	–	–	–
Transfers and grants	–	–	–	–	–	–	–	–	–	–
Other expenditure	44,872	55,444	87,838	95,581	152,508	152,508	152,508	140,071	144,766	153,177
Loss on disposal of PPE	–	–	–	–	–	–	–	–	–	–
Total Expenditure	97,843	127,239	205,061	183,590	265,089	265,089	265,089	274,764	287,541	304,518
Surplus/(Deficit)	819	(30,722)	11,624	0	0	0	0	37,277	65,564	24,600

Transfers recognised - capital								(37,277)	(65,564)	(24,600)
Contributions recognised - capital	–	–	–	–	–	–	–	–	–	–
Contributed assets										
Surplus/(Deficit) after capital transfers & contributions	819	(30,722)	11,624	0	0	0	0	0	0	1
Surplus/(Deficit) after taxation	819	(30,722)	11,624	0	0	0	0	0	0	1
Attributable to minorities										
Surplus/(Deficit) attributable to municipality	819	(30,722)	11,624	0	0	0	0	0	0	1
Share of surplus/ (deficit) of associate										
Surplus/(Deficit) for the year	819	(30,722)	11,624	0	0	0	0	0	0	1

The budgeted allocation for employee related costs for the 2011/12 financial year totals R76.6 million, which equals 35.4 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 6 per cent for the 2011/12 financial year. An annual increase of 6,8 per cent has been included in the two outer years of the MTREF. As part of the Municipality's cost reprioritization and cash management strategy vacancies have been significantly rationalized downwards. As part of the planning assumptions and interventions all vacancies were originally removed from the budget and a report was compiled by the Corporate Services Department relating to the prioritization of critical vacancies within the Municipality. The outcome of this exercise was the inclusion of R5 million in the 2011/12 financial year relating to critical and strategically important vacancies.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 95 per cent and the Debt Write-off Policy of the Municipality. For the 2011/12 financial year this amount equates to R3.5 million and escalates to R2.8 million by 2013/14. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R2 million for the 2011/12 financial and equates to 0.9 per cent of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other material comprises of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the Municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the Municipality's infrastructure. For 2011/12 the appropriation against this group of expenditure has grown by 35.3 per cent (R78.0 million) and continues to grow at 8 and 9 per

cent for the two outer years of which budget allocation is in excess of R15.8 million by 2013/14.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Growth has been limited to 9 per cent for 2011/12 and curbed at 6 and 6.2 per cent for the two outer years, indicating that significant cost savings have been already realised. Further details relating to contracted services can be seen in Table 64 MBRR SA1 (see page 100).

The following table gives a breakdown of the main expenditure categories for the 2011/12 financial year.

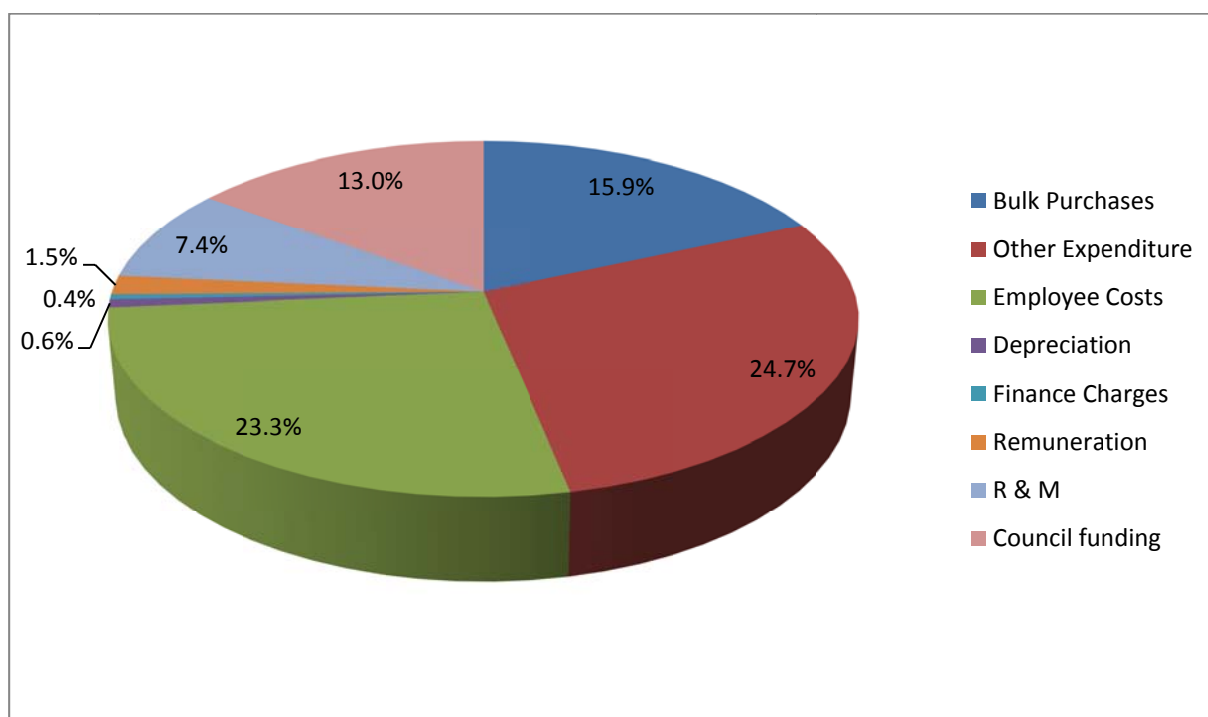


Figure 1 Main operational expenditure categories for the 2011/12 financial year

1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2011/12 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.

During the compilation of the 2011/12 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance. To this end, repairs and maintenance was substantially increased by 8.6 per cent in the 2011/12 financial year, from R6.7 million to R7.4 million. During the 2011 Adjustment Budget this allocation was adjusted slightly downwards to R6.2 million owing to the cash flow challenges faced by the Municipality. Notwithstanding this

reduction, as part of the 2011/12 MTREF this strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. The total allocation for 2011/12 equates to R7.4 million a growth of 16.2 per cent in relation to the Adjustment Budget and continues to grow over the MTREF. In relation to the total operating expenditure, repairs and maintenance comprises of 2.36, 2.26 and 2.56 per cent for the respective financial years of the MTREF.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

Table 10 Repairs and maintenance per asset class

Description R thousand	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Repairs and maintenance expenditure by Asset Class/Sub-class									
Infrastructure	628	2,026	2,705	3,563	3,882	3,882	5,040	5,342	5,663
Infrastructure - Road transport	310	879	2,061	2,010	2,011	2,011	2,190	2,321	2,461
<i>Roads, Pavements & Bridges</i>	310	879	2,061	2,010	2,011	2,011	2,190	2,321	2,461
Infrastructure – Electricity	318	1,116	643	1,553	1,871	1,871	2,850	3,021	3,202
<i>Street Lighting</i>	318	1,116	643	1,553	1,871	1,871	2,850	3,021	3,202
Infrastructure – Other	–	31	–	–	–	–	–	–	–
<i>Waste Management</i>	–	31	–	–	–	–	–	–	–
Community	431	550	648	1,771	1,364	1,364	1,377	1,385	1,547
Parks & gardens	2	36	5	55	60	60	63	67	71
Community halls	–	–	198	648	179	179	163	173	183
Libraries	–	–	5	6	6	6	6	6	6
Fire, safety & emergency	77	111	158	77	260	260	300	318	337
Security and policing	–	–	172	126	194	194	129	136	145
Other	352	403	109	860	666	666	716	685	805
Other assets	–	–	493	483	1,021	1,021	1,020	1,081	1,146
General vehicles	–	–	493	483	1,021	1,021	1,020	1,081	1,146
Total Repairs and Maintenance Expenditure	1,059	2,576	3,845	5,816	6,267	6,267	7,437	7,808	8,356

For the 2011/12 financial year, 2.36 per cent or R7, 4 million of total repairs and maintenance will be spent on infrastructure assets. Electricity infrastructure has received a significant proportion of this allocation totalling 37.83 per cent (R2, 8 million), followed by road infrastructure at 28.37 per cent (R2, 1 million). Community assets have been allocated R1, 3 million of total repairs and maintenance equating to 17.56 per cent.

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register 3 500 or

more indigent households during the 2011/12 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement) on page 38.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 11 2011/12 Medium-term capital budget per vote

Description	Current Year 2010/11		2011/12 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2011/12	%	Budget Year +1 2012/13	%	Budget Year +2 2013/14	%
Governance and Administration	0	0	0	0	0	0	0	0
Corporate Services	329	0.4%	2,000	2.5%	0	0	0	0
Finance Services	500	0.7%	1,100	1.2%	650	0.6%	500	0.7%
Safety and Security	1,448	2.1%	7,250	7.6%	5,950	5.6%	700	0.9%
Planning and Economic Development	627	0.8%	128	0.1%	0	0	0	0
Health and Social Development	829	1.2%	200	0.2%	212	0.2%	224	0.3%
Sport, Recreation and Community Services	600	0.8%	1,000	0.9%	1,060	0.9%	1,124	1.3%
Housing	15,400	21.9%	21,200	22%	33,385	32%	0	0
Environmental Management and Agriculture	3,339	4.7%	150	0.2%	159	0.2%	169	0.2%
Transport and Roads	37,865	53.6%	43,113	45.4%	42,046	35.7%	52,251	70.2%
Electricity	9,748	13.8%	14,300	19.9%	29,600	23.8%	19,000	26.4%
Waste Water	0	0	0	0	0	0	0	0
Water	0	0	0	0	0	0	0	0
Total Capital Budget	70,688	100%	90,441	100%	105,999	100%	72,087	100%

For 2011/12 an amount of R43.1million has been appropriated for the development of infrastructure which represents 45.4 per cent of the total capital budget. In the outer years this amount totals R42 million, 35.7 per cent and R52.2 million, 70.2 per cent respectively for each of the financial years. Transport and roads receives the highest allocation of R43 million in 2011/12 which equates to 45.4 per cent followed by electricity infrastructure at 19.9 per cent, R18 million.

Further detail relating to asset classes and proposed capital expenditure is contained in Table 26 MBRR A9 (Asset Management) on page 36. In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class (refer to pages 88, 89 and 90).

Furthermore pages 92 to 96 contain a detail breakdown of the capital budget per project over the medium-term.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.

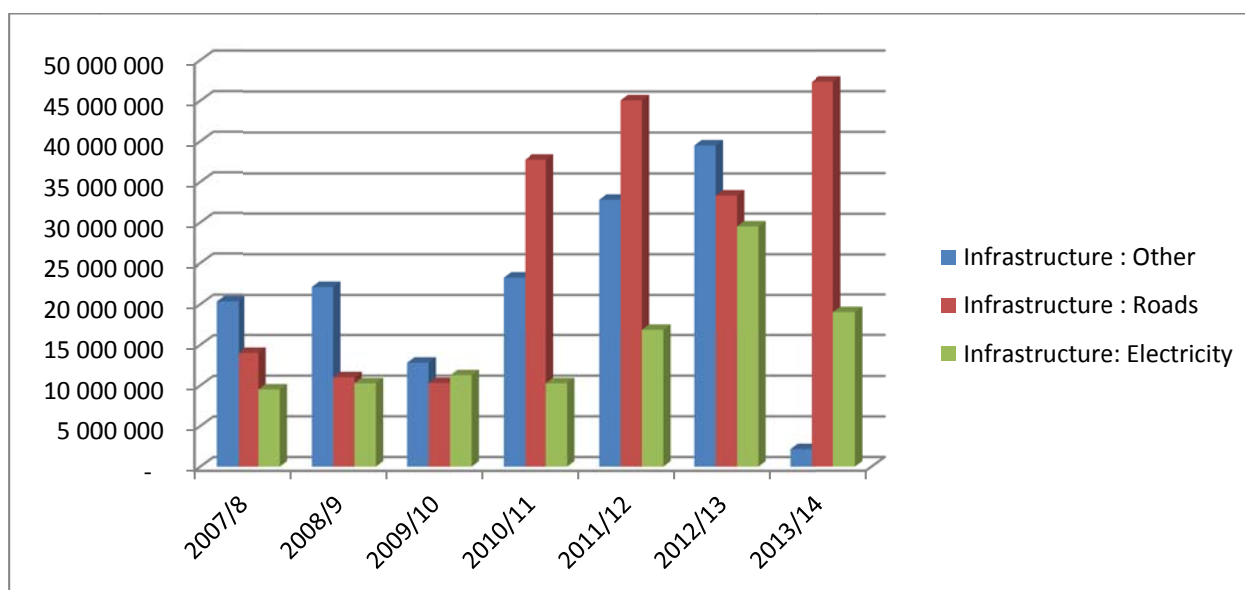


Figure 2 Capital Infrastructure Programme

1.6.1 Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been included in Table 61 MBRR SA35 on page 91. This table shows that future operational costs associated with the capital programme totals R90.4million in 2011/12 and escalates to R105.3million by 2012/13. It needs to be noted that as part of the 2011/12 MTREF, this expenditure has been factored into the two outer years of the operational budget.

1.7 Annual Budget Tables

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2011/12 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 12 MBRR Table A1 - Budget Summary

Description	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Financial Performance										
Property rates	22,244	20,599	63,502	61,344	64,399	64,399	64,399	76,961	81,579	86,474
Service charges	46,173	40,245	64,190	67,373	87,510	87,510	87,510	106,878	111,701	118,403
Investment revenue	-	-	439	1,081	679	679	679	1,000	1,060	1,124
Transfers recognised - operational	-	-	39,946	33,923	42,565	42,565	42,565	49,306	54,439	57,883
Other own revenue	30,245	35,673	48,607	19,869	69,936	69,936	69,936	77,896	104,326	65,235
Total Revenue (excluding capital transfers and contributions)	98,662	96,517	216,684	183,590	265,089	265,089	265,089	312,041	353,105	329,118
Employee costs	34,245	40,411	59,959	49,927	60,459	60,459	60,459	73,487	77,896	82,570
Remuneration of councillors	-	-	-	3,154	3,178		3,178	4,831	5,121	5,429

						3,178				
Depreciation & asset impairment	-	-	3,865	-	2,000	2,000	2,000	2,000	2,120	2,247
Finance charges	2,348	2,456	1,418	1,383	3,194	3,194	3,194	1,525	1,617	1,714
Materials and bulk purchases	16,378	28,928	33,586	33,545	43,750	43,750	43,750	50,350	53,371	56,573
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	44,872	55,444	106,232	95,581	152,508	152,508	152,508	89,408	106,979	108,497
Total Expenditure	97,843	127,239	205,061	183,590	265,089	265,089	265,089	221,601	247,104	257,029
Surplus/(Deficit)	819	(30,722)	11,624	0	0	0	0	90,441	106,001	72,089
Transfers recognised - capital	-	-	-	-	-	-	-	(37,277)	(65,564)	(24,600)
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	819	(30,722)	11,624	0	0	0	0	53,164	40,437	47,490
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	819	(30,722)	11,624	0	0	0	0	53,164	40,437	47,490
<u>Capital expenditure & funds sources</u>										
Capital expenditure	43,803	43,397	34,773	86,987	62,698	62,698	62,698	90,441	105,999	72,087
Transfers recognised - capital	28,972	28,815	15,021	53,513	19,001	19,001	19,001	37,277	65,562	24,599
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	5,800	-	-	-	-	-	-	-	-
Internally generated funds	14,831	8,782	19,752	33,474	43,888	43,888	43,888	53,164	40,437	47,490
Total sources of capital funds	43,803	43,397	34,773	86,987	62,889	62,889	62,889	90,441	105,999	72,088
<u>Financial position</u>										
Total current assets	72,502	38,905	37,391	22,831	57,334	57,334	57,334	62,061	69,742	81,360
Total non current assets	16,616	14,913	52,192	38,097	38,097	38,097	38,097	156,018	270,746	358,870
Total current liabilities	24,655	23,280	36,528	22,545	22,507	22,507	22,507	26,336	26,824	27,423
Total non current liabilities	17,207	14,237	14,131	5,261	5,261	5,261	5,261	1,776	-	-
Community wealth/Equity	47,254	16,299	34,416	-	-	-	-	50,044	44,270	49,947
<u>Cash flows</u>										
Net cash from (used) operating	-	-	51,281	92,377	48,346	55,673	119,902	71,570	71,804	133,185
Net cash from (used) investing	-	-	(41,177)	(52,729)	(16,926)	(62,048)	(62,888)	(75,318)	(21,208)	(22,267)
Net cash from (used) financing	-	-	(4,150)	(3,208)	(3,208)	(3,208)	(5,546)	(1,387)	(2,798)	(917)
Cash/cash equivalents at the year end	-	-	5,954	42,394	70,605	61,021	93,862	88,728	136,526	246,527
<u>Cash backing/surplus reconciliation</u>										
Cash and investments available	24,394	18,999	9,287	3,590	38,093	38,093	38,093	38,093	38,093	38,093
Application of cash and investments	2,476	9,264	4,487	1,603	6,589	6,589	6,589	5,526	1,946	(9,864)
Balance - surplus (shortfall)	21,918	9,735	4,800	1,987	31,504	31,504	31,504	32,567	36,147	47,957
<u>Asset management</u>										
Asset register summary (WDV)	290,407	270,539	321,801	472,529	535,385	628,167	708,838	708,838	834,300	929,123
Depreciation & asset impairment	-	-	3,865	-	2,000	2,000	2,000	2,000	2,120	2,247
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	1,059	2,576	3,845	5,816	6,267	6,267	7,437	7,437	7,808	8,356
<u>Free services</u>										
Cost of Free Basic Services provided	1,806	1,849	1,892	3,274	3,274	3,274	3,777	3,777	3,966	4,164
Revenue cost of free services provided	1,821	1,864	13,596	16,521	23,294	31,268	23,229	23,229	24,584	25,998
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	634,803	634,803	634,803	672,891	672,891	703,170	734,813
Refuse:	-	-	-	220,000	220,000	220,000	233,000	233,000	243,000	254,000

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. These places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2013/14, when a small surplus is reflected.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs. It is anticipated that by 2013/14 the water backlog will have been very nearly eliminated.

Table 13 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Revenue - Standard									
<i>Governance and administration</i>	44,751	49,584	156,409	122,158	135,966	135,966	147,183	158,189	167,858
Executive and council	832	1,551	10,312	1,305	578	578	1,000	1,060	1,124
Budget and treasury office	41,769	43,436	115,774	118,195	134,308	134,308	144,483	155,327	164,825
Corporate services	2,150	4,596	30,323	2,657	1,080	1,080	1,700	1,802	1,910
<i>Community and public safety</i>	4,730	4,837	5,863	5,461	9,684	9,684	15,882	16,835	17,845

Community and social services	1,725	401	125	409	989	989	1,882	1,995	2,114
Sport and recreation	57	17	66	100	215	215	400	424	450
Public safety	2,948	4,420	5,673	4,952	8,481	8,481	13,600	14,416	15,281
<i>Economic and environmental services</i>	834	661	707	925	34,430	34,430	40,794	55,691	23,547
Planning and development	817	645	699	875	16,735	16,735	23,969	36,320	3,111
Road transport	17	16	9	50	17,695	17,695	16,825	19,371	20,436
<i>Trading services</i>	48,346	41,436	53,139	68,273	88,014	88,014	108,182	122,390	119,868
Electricity	39,318	33,656	42,388	59,784	76,014	76,014	92,682	107,550	104,138
Waste management	9,029	7,780	10,751	8,489	12,000	12,000	15,500	14,840	15,730
Total Revenue - Standard	98,662	96,519	216,118	196,817	268,095	268,095	312,041	353,105	329,119
<u>Expenditure - Standard</u>									
<i>Governance and administration</i>	40,720	60,090	126,148	77,370	90,657	90,657	100,259	108,789	115,840
Executive and council	8,851	9,045	12,590	21,701	21,037	21,037	28,351	30,052	31,855
Budget and treasury office	19,537	39,622	72,827	40,931	52,364	52,364	48,502	56,120	59,932
Corporate services	12,331	11,422	40,732	14,737	17,256	17,256	23,407	22,617	24,053
<i>Community and public safety</i>	11,855	14,728	14,848	24,962	26,452	26,452	36,610	37,071	33,688
Community and social services	4,462	5,056	2,622	10,366	7,214	7,214	7,631	8,089	8,575
Sport and recreation	1,586	2,832	2,776	2,992	4,216	4,216	4,690	4,972	5,270
Public safety	5,807	6,839	9,449	11,604	15,022	15,022	24,288	24,010	19,844
<i>Economic and environmental services</i>	15,474	14,170	20,474	38,027	71,677	71,677	85,370	97,604	75,755
Planning and development	4,613	4,603	6,593	9,852	23,813	23,813	32,309	45,025	12,338
Road transport	10,862	9,567	13,880	28,175	47,864	47,864	53,060	52,579	63,417
<i>Trading services</i>	29,794	38,253	43,024	56,458	79,309	79,309	89,803	109,640	103,835
Electricity	22,939	31,731	37,330	48,681	67,973	67,973	79,822	99,061	92,621
Waste management	6,855	6,522	5,693	7,776	11,336	11,336	9,980	10,579	11,214
Total Expenditure - Standard	97,843	127,241	204,494	196,817	268,095	268,095	312,041	353,104	329,118
Surplus/(Deficit) for the year	819	(30,722)	11,624	0	0	0	0	0	0

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water functions, but not the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue.

Table 14 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<u>Revenue by Vote</u>									
EXECUTIVE AND COUNCIL	832	1,551	1,073	1,305	578	578	1,000	1,060	1,124
CORPORATE SERVICES	2,150	4,596	2,600	2,657	1,080	1,080	1,700	1,802	1,910
BUDGET AND TREASURY	41,768	43,436	142,566	118,195	134,308	134,308	144,483	155,327	164,825
COMMUNITY AND SOCIAL SERVICES	1,725	401	771	408	988	988	1,880	1,993	2,112
PUBLIC SAFETY	2,948	4,420	4,711	4,952	8,481	8,481	13,600	14,416	15,281
PARKS AND RECREATION	57	17	66	100	215	215	400	424	449
WASTE MANAGEMENT	9,029	7,780	9,165	8,489	12,000	12,000	15,500	14,840	15,730
PLANNING AND DEVELOPMENT	817	645	699	875	16,735	16,735	23,969	36,320	3,111
ROAD TRANSPORT	17	16	9	50	17,695	17,695	16,825	19,371	20,436
ELECTRICITY SERVICES	39,318	33,656	55,025	59,784	76,014	76,014	92,682	107,543	104,138
Total Revenue by Vote	98,662	96,518	216,683	196,815	268,093	268,093	312,039	353,095	329,116
<u>Expenditure by Vote to be appropriated</u>									
EXECUTIVE AND COUNCIL	8,851	9,045	12,590	21,701	21,037	21,037	28,351	30,052	31,855
CORPORATE SERVICES	12,331	11,442	13,622	14,737	16,926	16,926	23,407	22,617	24,053
BUDGET AND TREASURY	19,537	39,622	54,988	40,731	51,864	51,864	48,502	56,120	59,932
COMMUNITY AND SOCIAL SERVICES	4,462	5,056	4,122	10,366	6,385	6,385	7,631	8,089	8,575
PUBLIC SAFETY	5,157	6,545	9,449	11,604	13,010	13,010	24,288	24,010	19,844
PARKS AND RECREATION	1,586	2,832	2,776	2,992	3,616	3,616	4,540	4,831	5,102
WASTE MANAGEMENT	6,855	6,522	5,693	7,776	8,003	8,003	9,980	10,579	11,214
PLANNING AND DEVELOPMENT	5,265	4,878	6,593	9,852	7,785	7,785	11,105	11,640	12,338
ROAD TRANSPORT	10,862	9,567	41,298	28,375	9,371	9,371	37,133	29,861	42,987
ELECTRICITY SERVICES	22,939	31,731	53,927	48,681	58,225	58,225	79,822	89,754	88,621
Total Expenditure by Vote	97,843	127,240	205,060	196,817	196,221	196,221	274,760	287,553	304,520
Surplus/(Deficit) for the year	819	(30,722)	11,623	(2)	71,872	71,872	37,279	65,542	24,596

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote.
2. The electricity trading surplus is decreasing over the 2011/12 MTREF from R12 million in 2011/12 to R11million by 2013/14.
3. Note that the surpluses on these trading accounts are utilised as an internal funding source for the capital programme for asset renewal, refurbishment and the development of new asset infrastructure, *and are not used to cross-subsidise other municipal services.*

Table 15 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description R thousand	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<u>Revenue By Source</u>										
Property rates	22,244	20,599	58,237	59,544	62,398	62,398	62,398	74,460	78,928	83,663
Property rates - penalties & collection charges	–	–	5,265	1,800	2,001	2,001	2,001	2,501	2,651	2,810
Service charges - electricity revenue	39,318	33,636	55,025	58,884	75,510	75,510	75,510	91,378	96,861	102,673
Service charges - refuse revenue	6,855	6,609	9,165	8,489	12,000	12,000	12,000	15,500	14,840	15,730
Rental of facilities and equipment	–	–	635	–	–	–	–	–	–	–
Interest earned - external investments			439	1,081	679	679	679	1,000	1,060	1,124
Interest earned - outstanding debtors			1	41	10	10	10	10	11	12
Fines			4,129	3,002	5,474	5,474	5,474	7,000	7,420	7,865
Licences and permits	–	–	773	–	–	–	–	5,600	5,936	6,292
Transfers recognised - operational			39,946	33,923	42,565	42,565	42,565	49,306	54,439	57,883
Other revenue	30,245	35,673	42,503	16,827	64,452	64,452	64,452	65,286	90,959	51,066
Gains on disposal of PPE	–	–	566	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)	98,662	96,517	216,684	183,590	265,089	265,089	265,089	312,041	353,105	329,118
<u>Expenditure By Type</u>										
Employee related costs	34,245	40,411	59,959	49,927	60,459	60,459	60,459	73,487	77,896	82,570
Remuneration of councillors	–	–	–	3,154	3,178	3,178	3,178	4,831	5,121	5,429
Debt impairment	–	–	18,394	–	–	–	–	2,500	2,650	2,809
Depreciation & asset impairment	–	–	3,865	–	2,000	2,000	2,000	2,000	2,120	2,247
Finance charges	2,348	2,456	1,418	1,383	3,194	3,194	3,194	1,525	1,617	1,714
Bulk purchases	16,378	28,928	33,586	33,545	43,750	43,750	43,750	50,350	53,371	56,573
Other expenditure	44,872	55,444	87,838	95,581	152,508	152,508	152,508	86,908	104,329	105,688
Total Expenditure	97,843	127,239	205,061	183,590	265,089	265,089	265,089	221,601	247,104	257,029
Surplus/(Deficit)	819	(30,722)	11,624	0	0	0	0	90,441	106,001	72,089
Transfers recognised - capital								(37,277)	(65,564)	(24,600)
Surplus/(Deficit) after capital transfers & contributions	819	(30,722)	11,624	0	0	0	0	53,164	40,437	47,490

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R315million in 2011/12 and escalates to R328million by 2013/14. This represents a year-on-year increase of 12 per cent for the 2012/13 financial year. Revenue to be generated from property rates is R74 million in the 2011/12 financial year and increases to R83 million by 2013/14 which represents 12 per cent of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 6 per cent, 6 per cent and 6 per cent for each of the respective financial years of the MTREF.
2. Services charges relating to electricity and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R106 million for the 2011/12 financial year and increasing to R119 million by 2013/14. For the 2011/12 financial year services charges amount to 20 per cent of the total revenue base. This growth can mainly be attributed to the increase in the bulk prices of electricity.

3. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. The percentage share of this revenue source increases.
4. The following graph illustrates the major expenditure items per type.

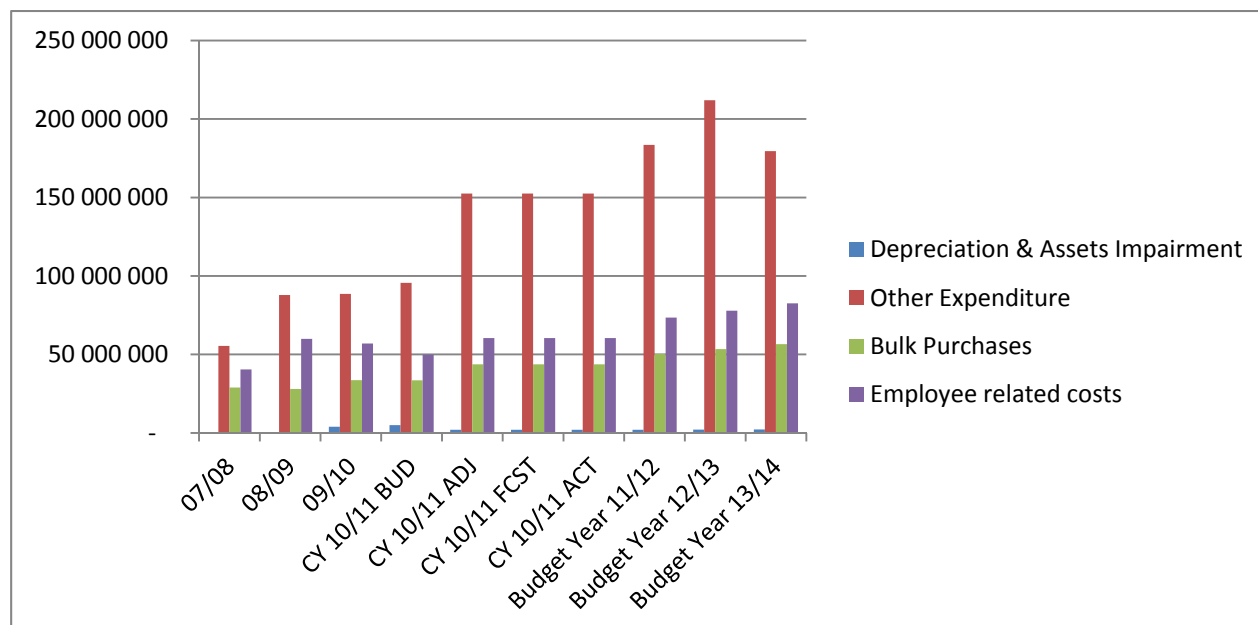


Figure 3 Expenditure by major type

5. Bulk purchases have significantly increased over the 2007/08 to 2012/14 period escalating from R28 million to R56 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom .
6. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 16 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description R thousand	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<u>Capital expenditure - Vote</u>										
<u>Multi-year expenditure to be appropriated</u>										
EXECUTIVE AND COUNCIL	80	85	46	4,085	–	–	–	–	–	–
CORPORATE SERVICES	620	974	68	1,800	330	330	330	2,000	–	–
BUDGET AND TREASURY	140	248	122	470	500	500	500	1,100	650	500
COMMUNITY AND SOCIAL SERVICES	16,119	10,227	609	16,858	829	829	829	200	212	225
PUBLIC SAFETY	405	2,519	292	1,710	1,449	1,449	1,449	7,250	5,950	700
PARKS AND RECREATION	150	170	17	–	600	600	600	1,000	1,060	1,124
WASTE MANAGEMENT	2,775	2,240	51	4,520	3,339	3,339	3,339	150	159	169
PLANNING AND DEVELOPMENT	65	285	163	1,232	16,028	16,028	16,028	21,328	33,385	–
ROAD TRANSPORT	13,972	16,404	22,176	52,483	38,493	38,493	38,493	43,113	34,983	50,370

ELECTRICITY SERVICES	9,477	10,245	11,227	3,830	9,748	9,748	9,748	14,300	29,600	19,000
Capital multi-year expenditure sub-total	43,803	43,397	34,773	86,987	71,315	71,315	71,315	90,441	105,999	72,087
Total Capital Expenditure - Vote	43,803	43,397	34,773	86,987	71,315	71,315	71,315	90,441	105,999	72,087
<u>Capital Expenditure - Standard</u>										
<i>Governance and administration</i>	840	1,307	236	6,355	830	830	830	3,100	650	500
Executive and council	80	85	46	4,085	–	–	–	–	–	–
Budget and treasury office	140	248	122	470	500	500	500	1,100	650	500
Corporate services	620	974	68	1,800	330	330	330	2,000	–	–
<i>Community and public safety</i>	16,674	12,916	919	18,568	4,616	4,616	4,616	29,650	40,607	2,048
Community and social services	1,119	3,755	609	4,955	2,846	2,846	2,846	200	212	225
Sport and recreation	150	170	17	–	–	–	–	1,000	1,060	1,124
Public safety	405	2,519	292	1,710	770	770	770	7,250	5,950	700
Housing	15,000	6,472	–	11,903	1,000	1,000	1,000	21,200	33,385	–
Health	–	–	–	–	–	–	–	–	–	–
<i>Economic and environmental services</i>	14,037	16,689	22,339	53,715	51,570	51,570	51,570	43,241	34,983	50,370
Planning and development	65	285	163	1,232	2,025	2,025	2,025	128	–	–
Road transport	13,972	16,404	22,176	52,483	49,545	49,545	49,545	43,113	34,983	50,370
Environmental protection	–	–	–	–	–	–	–	–	–	–
<i>Trading services</i>	12,252	12,485	11,278	8,350	5,682	5,682	5,682	14,450	29,759	19,169
Electricity	9,477	10,245	11,227	3,830	5,382	5,382	5,382	14,300	29,600	19,000
Water	–	–	–	–	–	–	–	–	–	–
Waste water management	–	–	–	–	–	–	–	–	–	–
Waste management	2,775	2,240	51	4,520	300	300	300	150	159	169
<i>Other</i>	–	–	–	–	–	–	–	–	–	–
Total Capital Expenditure - Standard	43,803	43,397	34,773	86,987	62,698	62,698	62,698	90,441	105,999	72,087
<u>Funded by:</u>										
National Government	13,972	23,313	8,601	13,771	15,021	15,021	15,021	15,927	22,718	20,430
Provincial Government	15,000	5,502	–	11,903	1,000	1,000	1,000	21,350	33,544	169
District Municipality	–	–	–	–	–	–	–	–	–	–
Other transfers and grants	–	–	6,420	27,839	2,980	2,980	2,980	–	9,300	4,000
Transfers recognised - capital	28,972	28,815	15,021	53,513	19,001	19,001	19,001	37,277	65,562	24,599
Public contributions & donations	–	–	–	–	–	–	–	–	–	–
Borrowing	–	5,800	–	–	–	–	–	–	–	–
Internally generated funds	14,831	8,782	19,752	33,474	43,888	43,888	43,888	53,164	40,437	47,490
Total Capital Funding	43,803	43,397	34,773	86,987	62,889	62,889	62,889	90,441	105,999	72,088

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2011/12 R94 million has been allocated of the total R91 million capital budget, which totals 30 per cent. This

allocation escalates to R100million in 2012/13 and then flattens out to R66 million in 2013/14.

3. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
4. The capital programme is funded from capital and provincial grants and transfers, public contributions and donations and internally generated funds from current year surpluses. For 2011/12, capital transfers totals R41 million (44 per cent) and decreases to R20 million by 2013/14 (30 per cent). These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).

Table 17 MBRR Table A6 - Budgeted Financial Position

Description R thousand	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
ASSETS										
Current assets										
Cash	5	2,754	5,697	–	–	–	–			
Call investment deposits	25,202	16,245	3,590	3,590	38,093	38,093	38,093	38,093	38,093	38,093
Consumer debtors	26,207	8,411	24,286	18,879	18,879	18,879	18,879	23,585	31,243	42,837
Other debtors	20,716	11,070	1,518	–	–	–	–	–	–	–
Current portion of long-term receivables	43	–	1,953	–	–	–	–	–	–	–
Inventory	329	425	347	362	362	362	362	383	406	431
Total current assets	72,502	38,905	37,391	22,831	57,334	57,334	57,334	62,061	69,742	81,360
Non current assets										
Long-term receivables	–	–	–	–	–	–	–	–	–	–
Investments	–	–	–	–	–	–	–	–	–	–
Investment property	–	–	16,126	–	–	–	–	–	–	–
Investment in Associate	–	–	–	–	–	–	–	–	–	–
Property, plant and equipment	16,616	14,913	35,188	38,097	38,097	38,097	38,097	156,018	270,746	358,870
Agricultural	–	–	–	–	–	–	–	–	–	–
Biological	–	–	–	–	–	–	–	–	–	–
Intangible	–	–	878	–	–	–	–	–	–	–
Other non-current assets	–	–	–	–	–	–	–	–	–	–
Total non current assets	16,616	14,913	52,192	38,097	38,097	38,097	38,097	156,018	270,746	358,870
TOTAL ASSETS	89,118	53,818	89,583	60,927	95,430	95,430	95,430	218,079	340,489	440,230
LIABILITIES										
Current liabilities										
Bank overdraft	813	–	–	–	–	–	–	–	–	–
Borrowing	2,408	2,959	3,915	2,732	2,732	2,732	2,732	4,830	3,808	2,891
Consumer deposits	–	–	2,783	–	–	–	–	–	–	–
Trade and other payables	18,234	17,939	24,529	17,893	17,893	17,893	17,893	19,269	20,646	22,022
Provisions	3,200	2,382	5,302	1,920	1,883	1,883	1,883	2,236	2,371	2,510
Total current liabilities	24,655	23,280	36,528	22,545	22,507	22,507	22,507	26,336	26,824	27,423
Non current liabilities										
Borrowing	17,207	14,237	4,510	5,261	5,261	5,261	5,261	1,776	–	–
Provisions	–	–	9,621	–	–	–	–	–	–	–
Total non current liabilities	17,207	14,237	14,131	5,261	5,261	5,261	5,261	1,776	–	–
TOTAL LIABILITIES	41,862	37,517	50,659	27,806	27,768	27,768	27,768	28,112	26,824	27,423
NET ASSETS	47,256	16,301	38,923	33,121	67,662	67,662	67,662	189,967	313,664	412,807
COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)	7,009	(27,860)	(12,851)	–	–	–	–	50,044	44,270	49,947
Reserves	40,245	44,159	47,267	–	–	–	–	–	–	–
Minorities' interests	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	47,254	16,299	34,416	–	–	–	–	50,044	44,270	49,947

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

3. Table 66 is supported by an extensive table of notes (SA3 which can be found on page 102) providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 18 MBRR Table A7 - Budgeted Cash Flow Statement

Description R thousand	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Ratepayers and other	27,681	15,735	157,315	137,052	141,707	141,707	141,707	155,251	182,699	209,682
Government - operating	–	–	48,902	47,150	33,354	33,354	33,354	39,946	42,946	47,358
Government - capital	–	–	32,049	53,513	19,001	19,001	19,001	60,890	34,427	19,365
Interest	862	726	440	1,081	1,000	1,000	1,000	500	530	561
Dividends	–	–	–	–	–	–	–	–	–	–
Payments										
Suppliers and employees	(33,523)	(16,317)	(186,008)	(145,036)	(145,333)	(138,006)	(73,776)	(184,102)	(188,315)	(143,369)
Finance charges	(2,456)	(2,456)	(1,418)	(1,383)	(1,383)	(1,383)	(1,383)	(915)	(483)	(412)
Transfers and Grants	–	–	–	–	–	–	–	–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES	(7,435)	(2,311)	51,281	92,377	48,346	55,673	119,902	71,570	71,804	133,185
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE	1,702	–	682	784	824	840	–	924	998	1,098
Decrease (Increase) in non-current debtors	–	–	–	–	–	–	–	–	–	–
Decrease (increase) other non-current receivables	–	–	–	–	–	–	–	–	–	–
Decrease (increase) in non-current investments	–	–	–	–	–	–	–	–	–	–
Payments										
Capital assets	3,308	(1,650)	(41,859)	(53,513)	(17,750)	(62,888)	(62,888)	(76,242)	(22,206)	(23,365)
NET CASH FROM/(USED) INVESTING ACTIVITIES	5,010	(1,650)	(41,177)	(52,729)	(16,926)	(62,048)	(62,888)	(75,318)	(21,208)	(22,267)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans	–	–	–	–	–	–	–	–	–	–
Borrowing long term/refinancing	–	–	–	–	–	–	–	–	–	–
Increase (decrease) in consumer deposits	32	–	–	–	–	–	–	–	–	–
Payments										
Repayment of borrowing	(3,002)	3,962	(4,150)	(3,208)	(3,208)	(3,208)	(5,546)	(1,387)	(2,798)	(917)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(2,970)	3,962	(4,150)	(3,208)	(3,208)	(3,208)	(5,546)	(1,387)	(2,798)	(917)
NET INCREASE/ (DECREASE) IN CASH HELD	(5,395)	0	5,954	36,440	28,211	(9,584)	51,469	(5,135)	47,798	110,001
Cash/cash equivalents at the year begin:	5,395	(0)	0	5,954	42,394	70,605	42,394	93,862	88,728	136,526
Cash/cash equivalents at the year end:	(0)	0	5,954	42,394	70,605	61,021	93,862	88,728	136,526	246,527

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. The approved 2011/12 MTREF provide for a further net decrease in cash of R6 million for the 2010/11 financial year resulting in an overall projected positive cash position of R35 million at year end.
4. As part of the 2010/11 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations and rationalization of spending priorities.
5. The 2011/12 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
6. Cash and cash equivalents totals R81 million as at the end of the 2011/12 financial year and escalates to R237 million by 2013/14.

Table 19 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description R thousand	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<u>Cash and investments available</u>										
Cash/cash equivalents at the year end	–	–	5,954	42,394	70,605	61,021	93,862	88,728	136,526	246,527
Other current investments > 90 days	24,394	18,999	3,333	(38,804)	(32,512)	(22,928)	(55,769)	(50,635)	(98,433)	(208,434)
Non current assets - Investments	–	–	–	–	–	–	–	–	–	–
Cash and investments available:	24,394	18,999	9,287	3,590	38,093	38,093	38,093	38,093	38,093	38,093
<u>Application of cash and investments</u>										
Unspent conditional transfers	–	–	2,239	–	–	–	–	–	–	–
Unspent borrowing										
Statutory requirements										
Other working capital requirements	2,476	9,264	2,248	1,603	6,589	6,589	6,589	5,526	1,946	(9,864)
Other provisions										
Long term investments committed	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments										
Total Application of cash and investments:	2,476	9,264	4,487	1,603	6,589	6,589	6,589	5,526	1,946	(9,864)
Surplus(shortfall)	21,918	9,735	4,800	1,987	31,504	31,504	31,504	32,567	36,147	47,957

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative

of non-compliance with the MFMA requirements that the municipality's budget must be "funded".

4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. From the table it can be seen that for the period 2007/08 to 2010/11 the surplus increased from R21 million to R76 million.
6. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2010/11 MTREF was not funded owing to the significant deficit.
7. As part of the budgeting and planning guidelines that informed the compilation of the 2011/12 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.
8. As can be seen the budget has been modelled to progressively move from a surplus of R76 million in 2011/12 to R247 million by 2013/14.

Table 20 MBRR Table A9 - Asset Management

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
CAPITAL EXPENDITURE									
<u>Total New Assets</u>	43,803	43,397	34,283	86,987	71,425	71,425	90,440	105,998	72,088
Infrastructure - Road transport	13,972	10,990	10,286	52,483	37,865	37,865	45,112	33,403	47,349
Infrastructure - Electricity	9,477	10,245	11,227	3,830	10,248	10,248	12,300	29,600	19,000
Infrastructure - Other	-	-	-	4,520	3,339	3,339	150	159	169
Infrastructure	23,449	21,235	21,513	60,833	51,452	51,452	57,562	63,162	66,518
Community	4,224	7,532	-	6,465	3,328	3,328	8,450	5,572	1,649
Heritage assets	-	4,914	11,891	-	-	-	-	-	-
Investment properties	15,000	6,472	-	11,903	15,400	15,400	21,200	33,385	-
Other assets	1,130	3,244	880	7,787	1,245	1,245	3,228	3,879	3,922
<u>Total Capital Expenditure</u>									
Infrastructure - Road transport	13,972	10,990	10,286	52,483	37,865	37,865	45,112	33,403	47,349
Infrastructure - Electricity	9,477	10,245	11,227	3,830	10,248	10,248	12,300	29,600	19,000
Infrastructure - Other	-	-	-	4,520	3,339	3,339	150	159	169
Infrastructure	23,449	21,235	21,513	60,833	51,452	51,452	57,562	63,162	66,518
Community	4,224	7,532	-	6,465	3,328	3,328	8,450	5,572	1,649
Heritage assets	-	4,914	11,891	-	-	-	-	-	-
Investment properties	15,000	6,472	-	11,903	15,400	15,400	21,200	33,385	-
Other assets	1,130	3,244	880	7,787	1,245	1,245	3,228	3,879	3,922
TOTAL CAPITAL EXPENDITURE - Asset class	43,803	43,397	34,283	86,987	71,425	71,425	90,440	105,998	72,088
ASSET REGISTER SUMMARY - PPE (WDV)									
Infrastructure - Road transport	42,679	51,651	61,936	114,419	166,902	219,384	262,804	290,880	321,293
Infrastructure - Electricity	123,142	128,598	139,824	143,654	154,954	158,784	168,532	204,532	236,632
Infrastructure	165,821	180,248	201,761	258,074	321,856	378,169	431,336	495,413	557,926
Community	80,747	-	-	92,650	97,775	114,802	154,502	198,502	231,887
Heritage assets	2,183	77,742	89,633	103,078	96,992	111,109	98,596	106,484	115,824
Investment properties	-	-	16,126	-	-	-	-	-	-
Other assets	41,657	12,549	13,404	18,728	18,763	24,087	24,404	33,901	23,486
Intangibles	-	-	878	-	-	-	-	-	-
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	290,407	270,539	321,801	472,529	535,385	628,167	708,838	834,300	929,123
EXPENDITURE OTHER ITEMS									
<u>Depreciation & asset impairment</u>	-	-	3,865	-	2,000	2,000	2,000	2,120	2,247
<u>Repairs and Maintenance by Asset Class</u>	1,059	2,576	3,845	5,816	6,267	6,267	7,437	7,808	8,356
Infrastructure - Road transport	310	879	2,061	2,010	2,011	2,011	2,190	2,321	2,461
Infrastructure - Electricity	318	1,116	643	1,553	1,871	1,871	2,850	3,021	3,202
Infrastructure - Other	-	31	-	-	-	-	-	-	-
Infrastructure	628	2,026	2,705	3,563	3,882	3,882	5,040	5,342	5,663
Community	431	550	648	1,771	1,364	1,364	1,377	1,385	1,547
Other assets	-	-	493	483	1,021	1,021	1,020	1,081	1,146
TOTAL EXPENDITURE OTHER ITEMS	1,059	2,576	7,711	5,816	8,267	8,267	9,437	9,928	10,603

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The Municipality meets both these recommendations.
3. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the Municipality's strategy to address the maintenance backlog.

Table 21 MBRR Table A10 - Basic Service Delivery Measurement

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<u>Energy:</u>									
Electricity (at least min.service level)	-	-	-	-	190	-	-	-	-
Electricity - prepaid (min.service level)	-	-	-	-	5	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	-	-	-	-	195	-	-	-	-
Electricity (< min.service level)	-	-	-	633,303	633,303	633,303	671,301	701,509	733,077
Electricity - prepaid (< min. service level)	-	-	-	1,500	1,500	1,500	1,590	1,661	1,736
Other energy sources	-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	-	-	-	634,803	634,803	634,803	672,891	703,170	734,813
Total number of households	-	-	-	634,803	634,998	634,803	672,891	703,170	734,813
<u>Refuse:</u>									
Removed at least once a week	-	-	-	187	187	187	198	207	216
<i>Minimum Service Level and Above sub-total</i>	-	-	-	187	187	187	198	207	216
Removed less frequently than once a week	-	-	-	220	220	220	233	243	254
Using communal refuse dump	-	-	-	-	-	-	-	-	-
Using own refuse dump	-	-	-	-	-	-	-	-	-
Other rubbish disposal	-	-	-	-	-	-	-	-	-
No rubbish disposal	-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	-	-	-	220	220	220	233	243	254
Total number of households	-	-	-	407	407	407	431	450	470
<u>Households receiving Free Basic Service</u>									
Water (6 kilolitres per household per month)	-	-	-	-	-	-	-	-	-
Sanitation (free minimum level service)	-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per household per month)	2,000	2,000	2,000	3,000	3,000	3,000	3,000	3,000	3,000
Refuse (removed at least once a week)	2,000	2,000	2,000	3,000	3,000	3,000	3,000	3,000	3,000
<u>Cost of Free Basic Services provided (R'000)</u>									
Water (6 kilolitres per household per month)	-	-	-	-	-	-	-	-	-
Sanitation (free sanitation service)	-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per household per month)	516	545	574	853	853	853	1,066	1,119	1,175
Refuse (removed once a week)	1,290	1,304	1,318	2,421	2,421	2,421	2,711	2,847	2,989
Total cost of FBS provided (minimum social package)	1,806	1,849	1,892	3,274	3,274	3,274	3,777	3,966	4,164
<u>Highest level of free service provided</u>									
Property rates (R value threshold)	15,000	15,000	15,000	20,000	20,000	20,000	20,000	20,000	20,000
Water (kilolitres per household per month)	-	-	-	-	-	-	-	-	-
Sanitation (kilolitres per household per month)	-	-	-	-	-	-	-	-	-
Sanitation (Rand per household per month)	-	-	-	-	-	-	-	-	-
Electricity (kwh per household per month)	50	50	50	50	50	50	50	50	50
Refuse (average litres per week)	-	-	-	-	-	-	-	-	-
<u>Revenue cost of free services provided (R'000)</u>									
Property rates (R15 000 threshold rebate)	15	15	20	20	20	20	20	20	20
Property rates (other exemptions, reductions and rebates)	-	-	11,684	13,227	20,000	27,974	19,432	20,598	21,814
Electricity/other energy	516	545	574	853	853	853	1,066	1,119	1,175
Refuse	1,290	1,304	1,318	2,421	2,421	2,421	2,711	2,847	2,989
Municipal Housing - rental rebates	-	-	-	-	-	-	-	-	-
Housing - top structure subsidies	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total revenue cost of free services provided (total social package)	1,821	1,864	13,596	16,521	23,294	31,268	23,229	24,584	25,998

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The Municipality continues to make good progress with the eradication of backlogs:
 - a. Electricity services – backlog will be reduced by 2000 households. As indicated elsewhere, the emphasis in the electricity sector is on addressing urgent network upgrades. Once the most pressing network issues have been addressed, the electrification programme will be prioritised; with 6000 households budgeted to be electrified in 2013/14.
 - b. Refuse services – backlog will be reduced by 21 000 households in 2011/12, and a further 14 000 households in the outer two years of the MTREF. However it should be noted that this function is being investigated with a view to realising greater efficiencies, which is likely to translate into a more rapid process to address backlogs.
3. The budget provides for 90 000 households to be registered as indigent in 2011/12, and therefore entitled to receiving Free Basic Services. The number is set to increase to 105 000 households given the rapid rate of in-migration to the Municipality, especially by poor people seeking economic opportunities.
4. It is anticipated that these Free Basic Services will cost the municipality R23 million in 2011/12, increasing to R25 million in 2013/14. This is covered by the municipality's equitable share allocation from national government.
5. In addition to the Free Basic Services, the Municipality also 'gives' households R23 million in free services in 2011/12, and it increases to R25 million in 2013/14. This 'tax expenditure' needs to be seen within the context of the municipality's overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services. Currently, the 'free services' represent about 4 per cent of total operating revenue.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2010) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 26 August 2010. Key dates applicable to the process were:

- **August 2010** – Planning for the next three year budget begins in accordance with the coordination and preparation of the Budget/ IDP process plan.
- **November 2010** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **3 to 7 January 2011** - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2011** – Submission of report to Council on implementation of budget and financial status of municipality
- **20 January 2011** - Council approves the 2010/11 Mid-year Review s72 and Adjustments Budget;
- **February 2011** - Recommendations of the Mayoral Committee are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2011/12 MTREF is revised accordingly;
- **March 2011** - Tabling in Council of the draft 2011/12 IDP, SDBIP and 2011/12 MTREF for public consultation. Submission of draft Budget to National, Provincial Treasury and Other Stakeholders (MFMA s22)
- **April 2011** – Public consultation and participation;

- **April 2011** – Closing date for written comments ,finalisation of the 2011/12 IDP, SDBIP and 2011/12 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **May 2011** - Tabling of the 2011/12 MTREF before Council for consideration and approval.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

This is the fourth review of the IDP as adopted by Council in May 2006. It started in September 2010 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2011/12 MTREF in August.

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2011/12 MTREF, based on the approved 2010/11 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2011/12 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2010/11 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2011/12 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2011/12 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2010/11 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels

- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51 and 54 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The draft 2011/12 MTREF as tabled before Council on 03 March 2011 for community consultation was published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various libraries.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Committees were utilised to facilitate the community consultation process from 03 to 08 April 2011, and included nine public briefing sessions. The applicable dates and venues were published in all the local newspapers and on average attendance of 100 were recorded per meeting. This is up on the previous year's process. This can be attributed to the additional initiatives that were launched during the consultation process, including the specific targeting of ratepayer associations. Individual sessions were scheduled with organised business and imbizo's were held to further ensure transparency and interaction. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2011/12 MTREF. Feedback and responses to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- Capital expenditure is not allocated to the areas in the same ratio as the income derived from those areas. This is a normal practice in a collective taxation environment. The Municipality is responsible for managing the equitable use of resources to ensure that constitutional imperative to progressively improve basic services in undeveloped areas is realized in a sustainable manner over a reasonable period of time;
- Several complaints were received regarding poor service delivery, especially waste removal backlogs and the state of road infrastructure;
- Poor performance of contractors relating to infrastructure development and maintenance especially in the areas of road construction and maintenance were raised
- Remuneration packages of council officials were criticized as being very high, relative their private sector counterparts within the Municipality;
- The affordability of tariff increases, especially electricity, was raised on numerous occasions. This concern was also raised by organized business as an obstacle to economic growth; and
- During the community consultation process large sections of the community made it clear that tariff increases this year was fair to fund additional budget requests. They indicated that the municipality must do more to ensure efficiencies and value for money.

Significant changes effected in the final 2011/12 MTREF compared to the draft 2011/12 MTREF that was tabled for community consultation, include:

- The final Eskom bulk tariff increase, applicable to municipalities from 1 July 2011, was factored into the proposed consumer tariffs, applicable from 1 July 2011. This resulted in an increase of 20.38 per cent;
- An amount of R315 million (R220million on the Operating Budget and R95 million on the Capital Budget) was included over the medium-term for each of the financial years.
- The SALGBC parties' settlement regarding the salary dispute resulted in a preliminary amount of R78.3 million being provided for in the 2011/12 financial year;
- The 2011 Division of Revenue Act (DORA) grant allocations were finalized and aligned to the gazetted allocations.

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

The municipality is committed to redressing and addressing the needs of the people and values inputs from our communities. During the November and December 2009, the Mayor and the Municipal Manager Offices held consultative forums and imbizo for the stakeholders and members of public in all six wards. Members of communities were required to provide their IDP needs and minutes were recorded for all those meetings. This was done to ensure that there was consultation between the municipality and the communities with regard to their needs and service delivery. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;

- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2011/12 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 22 IDP Strategic Objectives

This section aims at providing a synopsis of the development issues arising from the situational analysis of Greater Kokstad Municipality in the form of a SWOT (Strengths, Weaknesses, Opportunities and Threats). For ease reference, the issues raised have been grouped under the 5 KPA's of the Five Year Local Government Strategic Agenda namely:

Basic Services Delivery and Infrastructure
 Local Economic Development
 Financial Viability and Financial Management
 Municipal Transformation and Institutional Development
 Good Governance and Community Participation
 Spatial and Environmental Planning

1. STRENGTHS

Local Economic Development

- It is relatively close to major hubs (Pietermaritzburg and Port Shepstone) in the province
- Quality of agricultural attributes of soil types, climatic diversity and rainfall. High concentration of prime agricultural land in the hands of large commercial sugar cane farmers
- Labour forces
- Strategic location of Kokstad town
- Local Economic Development Strategy
- Historical and cultural sites
- Variety of business services available, e.g. from banks, business partners etc.
- Well established infrastructure with good transport network
- Various government sectors in Kokstad town
- Strong Functionally Chamber of Business
- Vacant land for development
- Social cohesion
- Dedicated housing section
- Availability of land for housing project
- C-MAX Prison

Financial Viability and Financial Management

- Finance Services Department in Place

- Experienced Chief Financial Officer
- Municipal work within its budget

Municipal Transformation and Institutional Development

- Corporate Services Department is in place
- Human resources Development Strategy is in place
- Experienced, qualified and dedicated municipal staff

Good Governance and Community Participation

- Good turnaround strategy
- Good political/administration relationships.
- Statutory governance structures in place.
- Functional ward committees.
- Good communication and community participation strategy
- Up and running Municipal Website

Spatial and Environmental Planning

- Rugged mountainous terrain
- Contrasting grassland
- Greater Kokstad Municipality is strategically located and accessible to all parts of the district.
- Existence of government extension services.
- Identified development urban areas.

2. WEAKNESSES

Basic Services Delivery and Infrastructure

- Limited growth in the manufacturing industry
- Bulk water supply is a major constraint that affects the municipality.
- 5.3% of the population still does not have access to clean water and obtain water from rivers and streams.
- Lack of upgrading and maintenance of infrastructure and services.
- Rural areas still rely on pit latrine or no toilet system at all.
- The urban areas have proper water borne sanitation systems, but rural areas still rely on pit latrines or no system at all. This places tremendous strain on the environment and
- Lack of comprehensive infrastructure and services plan.
- Lack of electricity to an extent that there are areas that still use paraffin and candle as a source of energy
- Storm water is not properly managed

Local Economic Development

- Insufficient water supply
- Lack of LED institution
- Low level of employment opportunities
- Local SMMEs are not geared to take advantage of emerging business and tender opportunities offered.
- Impediments to SMME development in Greater Kokstad Municipality include low levels of education and productive skills of access to finance, inadequate infrastructure, lack in effective demand and communication.
- Lack of Agricultural Development Plan.
- Limited growth in the manufacturing industry
- Lack of skills
- Industrial development is concentrated in Kokstad Town.

Financial Viability and Financial Management

- Lack of a comprehensive strategy for maximizing the income of the Council.
- The outstanding debt on rates and services owed to the Municipalities is still very high

Municipal Transformation and Institutional Development

- Lack of office space
- Lack of staff accommodation

Good Governance and Community Participation

- Implementation of communication and community participation strategy
- Ward Committees still do not have clear understanding on IDP processes.

Spatial and Environmental Planning

- Illegal occupation of land for informal settlement purposes.
- Mushrooming of informal settlements in flood line areas.
- Deterioration of urban areas
- No integration of environmental, land use and transport management system
- Growth and development is only focusing on primary node (Kokstad town) disadvantaged areas and areas of economic opportunity are neglected.
- Illegal small business operators that conducting business from home without permission are increasing. This has given rise to traffic and safety problems as these areas were not designed for such purposes.

3. OPPORTUNITIES**Basic Services Delivery and Infrastructure**

- Existing railway lines/infrastructure.
- Infrastructure, Planning and Development Department in place
- Municipal Infrastructure Grant funding is available for the provision of services

Local Economic Development

- Young energetic human capital
- Tourism attractive
- Strong agricultural base and potential to developing agriculture to new high value product
- Desire for development
- Black Economic Empowerment
- Existence of a strong NGOs and CBOs
- Available of agricultural land

Financial Viability and Financial Management

- Implementation of MPRA
- Less grant dependency

Municipal Transformation and Institutional Development

- Construction of new offices.
- Agglomeration of various government sector department in one locality

Good Governance and Community Participation

- Ward Committees have been established
- Communication and Public Participation in place
- 2007 -2012 Comprehensive Municipal IDP document in place

Spatial and Environmental Planning

- Eco tourism development
- Urban greening
- Corridor development
- Urban expansion

4. TREATS

Basic Services Delivery and Infrastructure

- The occurrence of cholera and related diseases is as a result of the absence of potable water as well as the lack of sanitation
- Non-payment of services could reduce the willingness of services provider to extend and maintain services.
- Land invasion leading to uncontrolled settlement and impact on natural resources

Local Economic Development

- HIV/Aids which has a direct impact on the ability and the area to grow.
- Lack of Infrastructure and services maintenance
- Skills exodus

Financial Viability and Financial Management

- Poverty and Unemployment rate
- Non- payment of rates

Good Governance and Community Participation

- Low levels of participation by certain stakeholders in the IDP process.

Spatial and Environmental Planning

- Erosion and the degradation of field as a result of poor land management due to overgrazing and incorrect cultivation methods need to be addressed by means of control measures and efforts are needed to increase people's awareness of the advantages of good waste management practices.
- Erosion and Water pollution is a common problem in the area as the people use the rivers for all purposes including washing cars and clothes, animal feed, human consumption and other purposes
- Alien plants

Summary of Key Priority/Critical Issues

- In summary the key priority/critical issues that need urgent attention are follows:
- Eradication of the backlogs especially on water, sanitation and electricity;
- Dealing ahead with current conditions of roads and storm water;
- Upgrading the ageing infrastructure and services;
- Address the low to middle income backlogs;
- Creation of economic growth and job opportunities;
- Promote tourism development;
- Dealing with HIV/Aids pandemic;
- Urban regeneration strategy;
- Promotion of nodal development;
- Mainstreaming of gender equality into development programmes;
- Intensification of social services for children and youth;
- Skills development.

The 2011/12 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table 22 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

Strategic Objective	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
Municipal Infrastructure Grant			12,772	13,771	15,969	15,969	15,927	22,718	20,430
Department of Housing			–	11,903	15,400	15,400	21,200	33,385	–
DGLTA			–	5,900	–	–	–	–	–
Department of Land Affairs			–	3,500	–	–	–	–	–
Own Revenue			12,144	35,474	37,098	37,098	52,410	39,638	46,650
DBSA			–	1,900	–	–	–	–	–
Other funding			3,490	14,540	1,000	1,000	754	799	839
DME			3,447	–	1,848	1,848	–	9,300	4,000
Sport and Recreation			360	–	–	–	150	159	169
Total Revenue (excluding capital transfers and contributions)	–	–	32,213	86,987	71,315	71,315	90,441	105,999	72,088

Table 23 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

Strategic Objective	Goal	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand										
1. Strategic Planning & IDP Review	2010/11 IDP Review document			450	450	450	450	750	750	750
2. Special programs	Prevention, Treatment and Support Programs			960	960	960	960	3,680	3,680	3,680
3. Public Participation and Corporate Image	To address service delivery needs of the people			900	1,249	978	978	2,570	2,570	2,570
4. Internal Audit and Risk Management	Improve internal controls and prevention of corruption			65	620	620	620	1,050	1,050	1,050
5. Local Economic Development	Increase number of families that can sustain themselves			1,000	2,050	2,050	2,050	2,615	2,615	2,615
6. Revenue Management	Improve revenue collection			3,739	4,739	4,739	4,739	9,200	9,200	9,200
7. Budgeting, Reporting and Compliance	Compliance with new accounting Principles			1,000	1,500	1,500	1,500	2,500	2,500	2,500
8. Asset Management	Safeguard and proper management of Council Assets			1,970	1,970	1,610	1,610	1,000	1,000	1,000
9. Planning and Development	Full compliance with the Town Planning Scheme and Town Planning Ordinance			2,025	2,108	1,054	1,054	13,650	13,650	13,650
10. Pound Management	To ensure proper management & adhering to by laws enhanced			300	300	300	300	280	280	280
11. Protection Services	Safe and secure environment for pedestrians and motorists			290	650	65	65	4,900	4,900	4,900

12. Waste Management	to ensure that the structure is utilised for sorting of waste			300	7,650	7,759	7,759	7,750	7,750	7,750
13. Human resources Management	to implement a five-year Emploment Equity Plan			2,050	2,650	2,650	2,650	5,170	5,170	5,170
14. Administration	To ensure that proper administration procedures are being followed			2,850	3,275	3,275	3,275	6,384	6,384	6,384
15. Supply Chain Management	Implementation of database Software							650	650	650
		–	–	17,899	30,171	28,010	28,010	62,149	62,149	62,149

Table 24 MBRR Table SA7 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

Strategic Objective	Goal	Goal Code	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand											
1. Infrastructure	Upgrade quality of Roads in Kokstad	A			56,376	58,218	38,493	38,493	27,648	24,533	24,533
2. Electrification	Upgrading of Electricity infrastructure	B			5,382	4,050	9,748	9,748	17,200	17,200	17,200
3. Housing	Proper houses provided and have the dignity of people being restored	C			1,000	15,565	15,400	15,400	21,200	21,200	21,200
4.Public Facilities amneties and Parks	To ensure that the community has accessses to municipal facilities	D			130	6,120	130	130	3,030	3,030	3,030
5. Fire and Disaster Management	to assist the community with disaster relief, when occurs	E				1,480	1,480	1,480	2,550	2,550	2,550
6.ICT Services	Implementation of ICT Managed Services	F				1,555	1,555	1,555	3,050	3,050	3,050
			–	–	62,888	86,988	66,806	66,806	74,678	71,563	71,563

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages.

FINAL BUDGET PROCESS OVERVIEW

- **Political Oversight of Budget Process**

The concept of political oversight over the budget process is an important one and it is the key to ensuring that strategy informs the budget.

The political oversight role of the Mayor is contained in Section 53 (1)(a) and (b) of the Municipal Finance Management Act (MFMA). It requires that the Mayor must provide political guidance over the budget process and the priorities that guide the preparation of the budget. It further requires that the Mayor co-ordinates the revision of the IDP and the preparation of the annual budget and to determine how the IDP is to be taken into account for the purposes of the budget.

The demands on the Municipality to address service delivery backlogs and to improve services delivery of its citizens, within current financial resources, are challenging. Political oversight of the budget process is therefore essential to ensure that the priorities of the municipality are addressed through budget allocations.

- **Consultation Process**

The consultation process began with the tabling of the budget & IDP review process plan on August 2009.

The following processes will be undertaken to present the draft budget to the community:

7. Public meetings
8. Presentation of the budget to Business Community and other stakeholders
9. Placement of budget documentation at all Libraries and other municipal offices.
10. General distribution of budget documentation
11. Advertisement of draft budget in local newspapers and public meetings

The public meetings were finalised on 1st April 2010. The closing date for submissions was 21st April 2010. Submissions to be received within required time will be considered by budget committee under the leadership of the mayor and final decisions on those submissions will be tabled in council during the budget approval process.

BUDGET CONSULTATION MEETINGS

The council has held the consultative meetings towards the final budget as follows:-

WARD	DATE	VENUE	TIME
2	03 March 2011	Kransdraai	10H00
2	03 March 2011	Franklin	13H00
6	03 March 2011	Shayamoya	15H00
5	03 March 2011	Thuntulwana	17H00
1	04 March 2011	Horseshoe	10H00
1	04 March 2011	Zolani	13H00
4	04 March 2011	Extension 7	17H00
6	07 March 2011	Pakkies	10H00
6	07 March 2011	Thuthuka Ngele	13H00
3	07 March 2011	Supper Room	17H00
OTHER ORGANISED FORMATIONS	08 March 2011	Supper Room	07H30

Figure 4 Planning, budgeting and reporting cycle

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:

Focus of the review cycle

The Council adopted a turnaround strategy with the theme “***crossing the Rubicon to business unusual***”. to deal with the material issues raised by the office of the Auditor General in the previous years, with an intention of also improving internal controls as well as financial management systems, policies and procedures. The strategy has yielded a good result as the municipality obtained an unqualified audit opinion report for 2007/8, 2008/09 & 2009/10 financial years. Another major hindrance to success has been a lack of capacity and other internal challenges, and we are addressing this problem as a matter of urgency. The Council has already started the process of filling the strategic vacant positions.

Greater Kokstad Community Needs for 2010/11

Greater Kokstad Municipality communities were asked through IDP Road-shows and ward councillors to identify and prioritise ward community needs for their respective wards.

These community needs can be classified as follows:

2011/2012 IDP PROJECTS

What Residents Say They Need

Greater Kokstad communities were asked through IDP Road shows conducted to all wards to identify community needs for their respective wards. For this exercise to be successful community leaders were asked to involve all community role players. Responses were received from all ward committees and ward councillors as well as from the Kokstad Residents Rates Payers Association and Kokstad Chamber of Commerce. These community needs can be classified as follows:

WARD 1			
Community needs	Problem Statement	Affected Areas	Responsible Dept
1. Sport - complex	Currently, there is a lack of other sport codes such as tennis, basket ball, netball etc, due to non –availability of sport field to accommodate such sport codes. A need for the development of a multi-purpose sport centre that will accommodate all sporting codes was expressed.	Horseshoe	GKM -Infrastructure Planning and Development

2. Land for Community Gardens	LED projects focusing on job creation and poverty alleviation were the second priority, the municipality was then requested to identify land for community gardens and small scale agricultural development .	Horseshoe	GKM -Municipal Manager's Office
3. Satellite Police Station	The existing police station is Kokstad SAPS situate in Kokstad town and access to this police station is arduous and therefore a need for satellite police station is strongly emphasized.	Entire ward 1	South African Police Services
4. Road and Storm water	Access road (Mphela) in the area is in a bad condition and it is almost impassable during wet weather. Rehabilitation of this road was identified as one of priority project in this area.	Mphela	GKM - Infrastructure Planning and Development
	Storm-water drainage is not properly managed in the area. Need for construction of V-Drains to control storm-water in the area.	Horseshoe (Ward Councillor to advise exact area in Horseshoe)	GKM - Infrastructure Planning and Development
5. Completion of Sanitation project (Phase 2)	Phase 2 of Sanitation project (converting of VIP toilets to waterborne sewerage) has not been completed. Community requested that Greater Kokstad Municipality assist in facilitating the completion of the project.	Areas in Horseshoe where project was not completed	Sisonke District Municipality
6. Electricity	Some of houses including House No.7418 were left unattended during the electrification of the area. Need for completion of electrification project.	House No. 7418	GKM - Infrastructure Planning and Development
7. Electricity Vendor Station	Community complained that there are travelling long distances for electricity and they have use taxi which takes lot of money to which they should have used in buying electricity. Need for installation of close by pre-paid electricity vendor station in the area.	Horseshoe	GKM - Financial Services
8. Crèche	In order to promote an early childhood development a need for additional crèche in Zolani was raised.	Zolani	GKM - Municipal Manager's Office/Infrastructure Planning and

			Development
9. Clinic	Currently there is no clinic servicing this area. Need for a clinic in Horseshoe	Horseshoe	Department of Health
10. Housing	Community from Mphela was never considered for low cost housing development. A need for housing development in this area was identified.	Mphela	GKM - Infrastructure Planning and Development /KZN Department of Human Settlement
11. Refuse removal services	Community indicated that the refuse removal tractor does not reach all the houses in Horseshoe. Need for refuse removal service was identified.	Areas in Horseshoe where refuse is not collected	GKM - Community Services

WARD 2

Community Needs	Problem Statement	Affected Areas	Responsible Dept
1. Tractor	Kransdraai Community indicated that they need Tractor to assist in agricultural production in the area.	Kransdraai	GKM - Municipal Manager's Office
2. Brick Making	Bricks making project was identified as one of the priority projects in the area and a request for Brick Making tools and training were amongst the important needs that were identified.	Kransdraai	GKM - Municipal Manager's Office
3. Poultry	Poultry Project was amongst LED and Food Security projects that is needed in the area	Kransdraai	GKM - Municipal Manager's Office
4. Boreholes	Community of Kransdraai indicated that water in the area is not enough for domestic consumption. Need for provision of boreholes was identified as one of the priority project.	Kransdraai	Sisonke District Municipality
5. Electricity	There is a lack of electricity in Kransdraai. As a result people of this area are reliant on other sources of energy such as paraffin, gas and candle. A need for electricity was identified.	Kransdraai	Eskom
6. Fencing of Cemetery	In order to avoid unnecessary grazing and to maintain a dignity of the area a need for fencing of	Kransdraai	GKM - Community Services

	the existing Grave-yard was identified.		
7. Clinic	The Kransdraai community indicated that they are having difficulties in accessing health services due to the fact they don't have clinic in the vicinity. Therefore a need for clinic or mobile clinic was expressed	Kransdraai	Department of Health
8. Public Transport	Day to day commodities is bought in Kokstad town as there are no commercial activities in the area. Public transport to transport this community is a challenge as there is no regular public transport moving in the area. Need for regular public transport was identified.	Kransdraai	Department of Transport/Taxi's Association

WARD 2			
Community Needs	Problem Statement	Affected Areas	Responsible Dept
1. Clinic/Mobile clinic	The Swartberg community indicated that they are having difficulties in accessing health services due to the fact they don't have clinic in the vicinity. Therefore a need for clinic or mobile clinic was expressed.	Swartberg	Department of Health
2. Provision of school transport	Swartberg community indicated that there is a lack of reliable transport to transport school children that are attending school in Franklin. Municipality has then been tasked to assist in arranging for transport to transport children.	Swartberg	Department of Transport
3. School	Need for school that will accommodate everybody in the ward.	Swartberg	Department of Education

WARD 2			
Community Needs	Problem Statement	Affected Areas	Responsible Dept
1. Plots for community gardens	A need to subdivide plots for community gardens was identified.	Franklin	GKM - Municipal Manager's Office
2. Road	Road in Franklin is in a bad condition. A need for road rehabilitation was identified.	Franklin	GKM - Infrastructure Planning and Development/ Department of Transport

3. Housing	A need for housing still exists in Franklin.	Franklin	GKM - Infrastructure Planning and Development/KZN Human Settlement
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WARD 3			
Community Needs	Problem Statement	Affected Areas	Responsible Dept
1. Waste Recycling	Based on the current challenge that the majority of population in Kokstad is not employed, the community viewed the waste recycling as the sector that can provide employment and alleviate poverty. A need to explore a notion of waste recycling was raised. It was further suggested that the private sector be invited to form a partnership with the municipality in the project.	Kokstad town	GKM - Municipal Manager's Office
2. Empowering of emerging contractors	Concern was raised that the local contractors are empowered as result most of construction work in the municipality is done by outside contractors. Need to empower the emerging contractors was identified	Ward 3	GKM - Municipal Manager's Office
3. Additional Rubbish Bins	In order to improve the quality of the environment the community requested additional rubbish bins .	Kokstad town	GKM - Community Services
	In order reduce littering in Kokstad town, the community identified a need for public environmental awareness programme .	Kokstad town	GKM - Community Services
4. Road	Groom and Hawthorn Streets are major roads providing access to Pick and Pay shopping centre. A need for rehabilitation of these streets was identified.	Kokstad town –Groom and Hawthorn streets	GKM - Infrastructure Planning and Development
	Need for maintenance of V3 Road	V3 Road	GKM - Infrastructure Planning and Development
5. Sidewalks/Pedestrian way	Community indicated that there is no arrangement made to ensure that the pedestrians from Franklin to Shayamoya are safe and	Franklin to Shayamoya	GKM - Infrastructure Planning and Development

	therefore a need for sidewalks from Franklin to Shayamoya was identified.		
	To reduce the number accident in the roads a need for pedestrian safety awareness programme was identified.	Kokstad town	GKM - Community Services
	Need for the construction of pedestrian way from Murray street to Kokstad Primary school.	Murray Street	GKM - Infrastructure Planning and Development
6. Housing	There are people within the ward who are still homelessness –a need for sustainable and integrated low to middle income housing was identified.	Ward 3	GKM - Infrastructure Planning and Development
7. Tourism	The economy of Kokstad has potential to grow significantly when focusing on tourism. Therefore need to develop and promote tourism was identified.	Kokstad town	GKM - Municipal Manager's Office
	Need for capacity building and training programme on this sector.	Kokstad town	GKM - Municipal Manager's Office
8. Art and Culture	Art and culture has not been explored. The municipality need to support art and culture that is taking place locally.	Kokstad town	GKM - Municipal Manager's Office

WARD 4			
Community Needs	Problem Statement	Affected Areas	Responsible Dept
1. Community Hall	Extension 7 has no community hall and therefore a need was raised for the construction of community hall .	Extension 7	GKM - Municipal Manager's Office and Infrastructure Planning and Development
2. Sport-field	Extension 7 has no sport-field or playground and therefore a need was raised for identification of land that suitable for sport-field and construction thereafter .	Extension 7	GKM - Municipal Manager's Office and Infrastructure Planning and Development
3. Road	Main road in Extension 7 is in a bad condition, requiring a range of maintenance action such as black-topping and proper storm water management. The rehabilitation of road was then identified as one of the priority projects in this area.	Main Road in Extension 7	GKM - Infrastructure Planning and Development

4. Sidewalks/Pedestrian way	Community indicated that there is no arrangement made to ensure that the pedestrians from Extension 7 to town are safe. A need for the construction of sidewalks was expressed.	Part of R617 and Mount Currie Road	GKM Infrastructure Planning and Development -
5. Land Tenure	Properties within erf 2791 are currently fall under sectional title (body corporate). A need to convert land tenure from Sectional title to freehold title was expressed.	Erf 2791 – Extension 7	GKM - Municipal Manager's Office

WARD 5			
Community Needs	Problem Statement	Affected Areas	Responsible Dept
1. Housing	Most of low cost houses in Bhongweni are incomplete. Need to facilitate with the Department of Housing the completion of those uncompleted houses was expressed.	Bhongweni	GKM Infrastructure Planning and Development -
2. Youth Centre	Need for the development of youth centre to ensure capacity building and training programme for youth.	Bhongweni	GKM Municipal Manager's Office -
3. Roads	Need for the construction of speed humps .	Bhongweni (Ward Councillor to the exact road that need speed humps)	GKM Infrastructure Planning and Development -
4. Sport Facilities	Need for the construction of tennis court .	Bhongweni	GKM Infrastructure Planning and Development -
5. Appointment of Sport Officer	Sport Officer to assist in sport related activities need to be appointed.	Municipality	GKM Municipal Manager's Office and Corporate Services -
6. Levelling of Stadium	Stadium need to be properly levelled.	Bhongweni	GKM Infrastructure Planning and Development -
7. Clinic	Land for clinic was identified and allocated to Department of Health but the clinic has never been constructed.	Entire ward	Department of Health
8. Refuse removal	Community indicated that the	Some areas in	GKM -

service	refuse removal tractor does not reach all the houses in Bhongweni. Need for refuse removal service was identified	Bhongweni – Still to confirm with the Ward Councillor the affected areas	Community Services
9. Brick Making and Training	Bricks making project was identified as one of the priority projects in the area and a request for Brick Making tools and training were amongst the important needs that were raised	Bhongweni	GKM Municipal Manager's Office -

WARD 6			
Community Needs	Problem Statement	Affected Areas	Responsible Dept
1. Upgrading of Riverview Stadium	Riverview Stadium is due for upgrading and as a result a need for upgrading the stadium was expressed.	Riverview	GKM - Infrastructure Planning and Development
2. Multi-purpose sport centre	Currently, other sport codes such as tennis, basket ball, netball etc are not accessible to the community; therefore a need for a multi-purpose sport centre to accommodate the aforesaid sporting codes such as was expressed	Shayamoya	GKM - Infrastructure Planning and Development
3. Appointment of Sport Officer	Sport Officer to assist in sport related activities need to be appointed.	Municipality	GKM - Municipal Manager's Office and Corporate Services
4. Streetlights	Need for the installation of street lights.	Shayamoya	GKM - Infrastructure Planning and Development
5. Satellite Police Station	The existing police station is Kokstad SAPS situate in Kokstad town and access to this police station is arduous and therefore a need for satellite police station is strongly emphasized.	To serve entire Ward	South African Police Services
6. Clinic	Need for the construction of a clinic within the area	To serve entire Ward	Department of Health

7. Land for Business	Business site need to be identified and developed thereafter.	Shayamoya	GKM Municipal Manager's Office	-
8. Land for Community Gardens	Land for community gardens need to be identified and allocated.	Shayamoya	GKM Municipal Manager's Office	-
9. Sewing	Sewing group need to be assisted by the municipality	Shayamoya	GKM Municipal Manager's Office	-
10. Sidewalks	Most of streets in Shayamoya are not cater for pedestrians, therefore there is a need for the construction of sidewalks	Shayamoya Streets	GKM Infrastructure Planning and Development	-
11. Sewerage	Sewer problem in Shayamoya has never been attended to by the Sisonke District Municipality for years. The municipality needs to facilitate with the District the upgrading of the aforesaid sewer system.	Shayamoya	Sisonke District Municipality	
12. Relocation of waste disposal site	Need to relocate the existing dumping site in Shayamoya.	Shayamoya	GKM Community Services	-
13. Housing	Population growth in Shayamoya warrants the additional houses. Community of Shayamoya requested the municipality to identify land for additional low cost housing development.	Shayamoya	KZN Human Settlement	
14. Insanity	Community expressed a concern about an increasing number of insane people in the area as well as in the town of Kokstad. A need to address the insanity in these areas was identified.	Shayamoya Kokstad Town	Department of Health and Department of Social Development	

WARD 6				
Community Needs	Problem Statement	Affected Areas	Responsible Dept	
1. Request for Tractor	Pakkies Community indicated that they need Tractor to assist in agricultural production in the area.	Pakkies	GKM Municipal Manager's Office	-
2. One Home one garden	One home one garden programme was well accepted by the community and need to be assisted with	Pakkies	GKM Municipal Manager's Office	-

	seeds was identified.		
3. Motor-gate	This need was raised in 2009/10 financial year and according to Infrastructure Planning and Development they are waiting consent from the Department of Transport as the area in question falls with their jurisdiction. Need for motor-gate was identified again.	Pakkies	GKM - Infrastructure Planning and Development
4. Clinic/Mobile	The Pakkies community indicated that they are having difficulties in accessing health services due to the fact they don't have clinic in the vicinity. Therefore a need for clinic or mobile clinic was expressed	Pakkies	Department of Health
5. Community Hall	Currently a community hall that community is using is privately owned and that prevent the municipality to renovate it. The negotiations of transferring this community hall to the municipality are in process. Once it has been transferred the municipality will then be a position to renovate the aforesaid community hall.	Pakkies	GKM - Infrastructure Planning and Development

Key Project For The next 5 years

The key project for the next five years area:

- Building of Municipal Civic Centre Complex that will accommodate all the municipal staff and some of the national and provincial government departments.
- Development of significant retails development such as Mamisa and Pick and Pay
- Urban Regeneration Strategy
- Development of Comprehensive Infrastructure Plan
- Development of middle to high income housing
- Development of Shayamoya Precinct plan;
- Development of Franklin, Makhoba and Swartberg Nodal Development Framework Plan
- Development of Integrated Transport Plan

Implications for development

- In the economic core or urban areas of the Municipality there are bulk water supply constraints resulting in the town reaching the capacity of it available water resources.

This has caused an inability to run certain developments at full capacity (e.g. C-Max) and constrained the ability to plan for and approve future development in the town. This has also led to an over-exploitation of existing water sources (e.g. UMzintlava River).

- The railway line is not currently being used. Road transport is the only functional mode of transport in the area. This has resulted in roads being degraded thus, requiring frequent maintenance which has major financial implications. The railway line can be used to transport goods, agricultural products or people depending on consumer demand. Therefore more focus should be placed on revitalization of railway line.
- The Greater Kokstad population is relatively young with 35, 87% of the population below the age of 39. This relatively young population signifies high potential for population growth in the future which further exacerbates the supply and demand scenario for more housing, education and health services in the foreseeable future. The segment of the population falling within the 15 – 69 groups would essentially be classified as the potentially economically active population of Greater Kokstad Municipality. This means that the municipality, sector departments and NGOs must direct their development plan in favour of youth. This data also means that there must be improved intake of social security grants especially the child support grants within the municipal area.
- The issue of high level of employment suggests that the Greater Kokstad Municipality should put more resources on economic development and poverty alleviation programmes

Measuring Our Progress

Greater Kokstad Municipality set itself a clear and achievable targets and performance indicators with specific reference of the national KPAs. An overall organisation performance identifying the success or specific KPAs where targets are not being met are reported to the Municipal Manager to take remedial action in good time before the end of the financial year.

A19. Development of IDP Review

IDP Review for the Greater Kokstad Municipality has been developed 'in house'. This decision was taken to ensure that ownership of the process and product remains within the municipality. The services provider was only required for specialized task, such as the reviewing of the municipal Spatial Development Framework. The review of the Greater Kokstad Municipality was developed through a consultative, open and transparent process in which the broad public, stakeholders, officials and Councillors provide inputs into gaps and changing circumstances within their area of jurisdiction. During the completion of the draft IDP review, in line with the adopted IDP Process Plan, the consultative meetings were undertaken.

The Community Development Workers have been utilized as the vehicle to ensure effective interaction and communication between the municipality and its citizens around broader development issues including the IDP review.

Table 25 MBRR Table SA7 - Measurable performance objectives

Description	Unit of measurement	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Municipal Governance and Administration	Good Governance and Community Participation									
Executive and Council										
Strategic Planning			2,4%	2,4%	1,2%	1,2%	1,2	1,9%	1,9%	1,9%
Insert measure/s description										
Local Economic Development	Sustainable Economic Development and Job Creation		2,5%	2,5%	2,3%	2,3%	2,3%	1,0%	1,0%	1,0%
Insert measure/s description										
Special Programs	Fighting Poverty and Protecting vulnerable groups in the society		2,7%	2,7%	1,7%	1,7%	1,7%	2,5%	2,5%	2,5%
Insert measure/s description										
Corporate Services	Institutional Development and Transformation									
Human Resources			2,6%	2,6%	2,9%	2,9%	2,9%	2,0%	2,0%	2,0%
Insert measure/s description										
Administration	Good Governance and Public Participation		2,9%	2,9%	5,4%	5,4%	5,4%	4,6%	4,6%	4,6%
Insert measure/s description										
Financial Services	Financial Viability and Financial Management		18,2%	18,2%	8,3%	8,3%	8,3%	6,4%	6,4%	6,4%
Insert measure/s description										
Economic and Trading Services	Basic Service Delivery									
Planning and Development			30,5%	30,5%	38,3%	38,3%	38,3%	25,6%	25,6%	25,6%
PMU and Civil Engineering										
Insert measure/s description										
Housing	Basic Service Delivery		26,2%	26,2%	17,1%	17,1%	17,1%	27,7%	27,7%	27,7%
Insert measure/s description										
Building Control	Good Governance		0,5%	0,5%	1,1%	1,1%	1,1%	3,9%	3,9%	3,9%
Insert measure/s description										
Trading Services	Basic Service Delivery									
Electricity			5,0%	5,0%	4,5%	4,5%	4,5%	18,7%	18,7%	18,7%
Insert measure/s description										
Public Waste Management	Basic Services and Infrastructure		0,3%	0,3%	8,5%	8,5%	8,5%	2,5%	2,5%	2,5%
Insert measure/s description										

Sub-function 3 - (name)										
Insert measure/s description										
Community and Public Safety										
Community and Social Services										
Social Development	Basic Service Delivery and Infrastructure		0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	1.0%	1.0%
Insert measure/s description										
Public Amneties and Parks	Basic Service Delivery		3,9%	3,9%	6,5%	6,5%	6,5%	0,8	0,8%	0,8%
Insert measure/s description										
Pound Management	Basic Service Delivery		0,3%	0,3%	0,3%	0,3%	0,3%	0,2%	0,2%	0,2%
Insert measure/s description										
Public Safety										
Protection Services	Good Governance and Public Participation		1,5%	1,5%	0,7%	0,7%	0,7%	0,4%	0,4%	0,4%
Insert measure/s description										
Disaster Management	Basic Service Delivery		0,2%	0,2%	0,9%	0,9%	0,9%	0,2%	0,2%	0,2%
Insert measure/s description										
Fire & Rescue Services	Basic Service Delivery		0,3%	0,3%	0,3%	0,3%	0,3%	0,6%	0,6%	0,6%
Insert measure/s description										

The following table sets out the municipalities main performance objectives and benchmarks for the 2011/12 MTREF.

Table 26 MBRR Table SA8 - Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<u>Borrowing Management</u>											
Borrowing to Asset Ratio	Total Long-Term Borrowing/Total Assets	19.3%	26.5%	5.0%	8.6%	5.5%	5.5%	5.5%	0.8%	0.0%	0.0%
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	2.4%	1.9%	2.7%	2.5%	2.4%	2.4%	3.3%	1.1%	1.5%	0.9%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Safety of Capital</u>											
Debt to Equity	Loans, Creditors, Overdraft & Tax Provision/ Funds & Reserves	88.6%	230.2%	147.2%	0.0%	0.0%	0.0%	0.0%	56.2%	60.6%	54.9%
Gearing	Long Term Borrowing/ Funds & Reserves	42.8%	32.2%	9.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Liquidity</u>											
Current Ratio	Current assets/current liabilities	2.9	1.7	1.0	1.0	2.5	2.5	2.5	2.4	2.6	3.0
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	2.9	1.7	1.0	1.0	2.5	2.5	2.5	2.4	2.6	3.0
Liquidity Ratio	Monetary Assets/Current Liabilities	1.0	0.8	0.3	0.2	1.7	1.7	1.7	1.4	1.4	1.4
<u>Revenue Management</u>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		0.0%	0.0%	89.5%	89.5%	89.5%	89.5%	63.9%	59.3%	61.4%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	47.6%	20.2%	12.8%	10.3%	7.1%	7.1%	7.1%	7.6%	8.8%	13.0%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<u>Creditors Management</u>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within 'MFMA' s 65(e))										
<u>Funding of Provisions</u>											
Provisions not funded - %	Unfunded Provns./Total Provisions										
<u>Other Indicators</u>											

Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated										
Water Distribution Losses (2)	% Volume (units purchased and own source less units sold)/Total units purchased and own source										
Employee costs	Employee costs/(Total Revenue - capital revenue)	34.7%	41.9%	27.7%	27.2%	22.8%	22.8%	22.8%	23.6%	22.1%	25.1%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	34.7%	41.9%	21.0%	27.2%	24.0%	24.0%		25.1%	23.5%	27.8%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	2.4%	2.5%	2.4%	0.8%	2.0%	2.0%	2.0%	1.1%	1.1%	1.2%
<u>IDP regulation financial viability indicators</u>	-										
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	-	21.0	41.2	35.6	35.6	35.6	117.9	79.0	202.0	183.5
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	68.6%	32.0%	21.6%	14.7%	12.4%	12.4%	12.4%	12.8%	16.2%	20.9%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	-	-	0.6	5.8	7.7	6.6	10.2	8.0	11.6	19.8

2.3.1 Performance indicators and benchmarks

2.3.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Greater Kokstad Municipality's borrowing strategy is primarily informed by the affordability of debt repayments.

2.3.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, overdraft and tax provisions as a percentage of funds and reserves. During the 2011/12 financial year the ratio deteriorated to a level 56.2 per cent. As part of the planning guidelines that informed the compilation of the 2011/12 MTREF ensuring proper cash-backing of reserves and funds has been considered a prudent financial sustainability.

- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves. Between 2007/08 and 2009/10 the gearing ratio peaked at 9.5 per cent. This was primarily a result of the decreased borrowing levels and increasing funds and reserves.

2.3.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. Going forward it will be necessary to maintain these levels.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2010/11 financial year the ratio was 1.7 and as part of the financial planning strategy it has been decreased to 1.4 in the 2011/12 financial year.

2.3.1.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

2.3.1.5 Creditors Management

- The Municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation. This has had a favourable impact on suppliers' perceptions of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders, as suppliers compete for the Municipality's business.

2.3.1.6 Other Indicators

- The initiatives to ensure these targets are achieved include managing illegal connections and theft of electricity by rolling out smart metering systems, including prepaid meters.
- Employee costs as a percentage of operating revenue continues to increase over the MTREF.
- Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also decreasing owing directly to cost drivers such as bulk purchases increasing far above inflation. In real terms, repairs and maintenance has increased as part of the Municipality's strategy to ensure the management of its asset base.

2.3.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. With the exception of water, only registered indigents qualify for the free basic services.

For the 2011/12 financial year 3 000 registered indigents have been provided for in the budget with this figured increasing to 5 000 by 2013/14. In terms of the Municipality's indigent policy registered households are entitled to 50 kwh of electricity and free waste removal as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement) on page 38.

This policy is mainly focused on providing financial assistance or support to indigent households in the form of subsidies for services charges -electricity and refuse removal. Its main objectives are to provide services in a sustainable manner within the financial means of the municipality; to provide procedures and guidelines for the subsidization of service charges using a portion of equitable share.

2.4 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

2.4.1 Review of credit control and debt collection procedures/policies

The Collection Policy as approved by Council in October 2008 is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

The 2011/12 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 95 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.

2.4.2 Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

2.4.3 Budget Policy

The budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

2.4.4 Supply Chain Management Policy

This involves ensuring that individuals and organizations are accountable for the plans, actions, and outcomes. Openness and transparency in administration, by external scrutiny through public reporting, is an essential element of accountability

2.4.5 Virement Policy

The Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. The purpose of this policy is to provide directives relating to virements and to enable the accounting officer to amend budgets in the light of experience or to provide for anticipated changes.

2.4.6 Cash Management and Investment Policy

The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks. The council of the municipality is the trustee of the public revenues, which it collects, and it therefore has an obligation to the community to ensure that the municipality's cash resources are managed effectively and efficiently.

2.4.7 Tariff Policies

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years. The tariffs policy has been compiled taking into account, where applicable, the guidelines set out in Section 74 that in

setting its annual tariffs the council shall at all times take due cognisance of the tariffs applicable elsewhere in the economic region, and of the impact which its own tariffs may have on local economic development.

All the above policies are available on the Municipality's website, as well as the following budget related policies:

- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Budget Policy; and
- Basic Social Services Package (Indigent Policy).

2.5 Overview of budget assumptions

2.5.1 Headline inflation forecasts

On setting up increases on tariffs and increasing of budget expenditures, the National Treasury issued inflation forecast through MFMA circular No 51 for 2011/12 of 6.2% has been well considered and this resulted to all tariffs except electricity to be increased below 6%.

2.5.2 Revision of rates, tariffs, and other charges

As detailed on paragraph 1 above, when revising tariffs, rates and other charges, inflation forecast has been considered to ensure that all are proposed to increase not above 6%.

Further to the above, the labour and other input costs of services have been taken into account to ensure financial sustainability, local economic conditions and the affordability of services and also taken into consideration the municipality's indigent policy. The proposed rates, tariffs and other charges have been tried to be kept as as low as practically possible.

2.5.3 Eskom bulk tariff increases

On announcement of Eskom bulk increases by NERSA, the municipality proposed increases on electricity tariffs is 20.38% as guided by NERSA final approved tariffs will be subject to NERSA. These will be only tariffs to increase above 6% and this is beyond municipality as electricity is purchased in bulk from Eskom.

2.5.4 Funding choices and management matters

Tough decisions on the expenditure side have been made by giving priority to ensure that service delivery is improved in all aspects as follows,

- Supports of meaningful local economic development initiatives that foster micro and small business opportunities and job creation.
- Day to day operations for provision of service delivery.

- That there is expediting spending on capital projects that are funded by conditional grant and council revenue.
- Supports of meaningful special programs for community groups.

2.5.5 The Municipal Budget and reporting Regulations

Since 1 July 2009, the budgets have been prepared as per requirements of the regulations. The municipality have complied with the formats set out in schedule A, B and C and the relevant attachments to each of the schedules.

2.5.6 MFMA Circular No. 51 and 54

Circular No. 51 has provided guidance on budget preparations on many aspects which on this current budget preparations, the inflation forecast for increases have been considered.

Circular No.54 provides further guidance to municipalities for the preparation of 2011/12 Budgets and Medium Term Revenue and Expenditure Framework. Main guidance provided is on outgoing councils need to ensure that the inputs into 2011/12 budget and MTREF safeguard the financial sustainability of the municipality. More specifically, the council is advised against unrealistically low tariff increases and over-ambitious capital expenditure programmes.

2.5.7 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (95 per cent) of annual billings. Cash flow is assumed to be 95 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

2.5.8 Growth or decline in tax base of the municipality

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

2.5.9 Salary increases

The collective agreement regarding salaries/wages came into operation on 1 July 2009 and shall remain in force until 30 June 2012. Year three is an across the board increase of 6.8 per cent.

2.5.10 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.5.11 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 90 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2011/12 MTREF of which performance has been factored into the cash flow budget.

2.6 Overview of budget funding

2.6.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

Table 27 Breakdown of the operating revenue over the medium-term

Description R thousands	2011/12 Medium Term Revenue & Expenditure Framework					
	Budget Year	%	Budget Year +1	%	Budget Year +2	%
	2011/12		2012/13		2013/14	
Property rates	83,460,819	26%	88,468,468	25%	93,776,576	28%
Service charges	106,878,161	34%	111,700,851	32%	118,402,902	36%
Investment revenue	1,010,500	1%	1,071,130	0	1,135,398	2%
Transfers recognised - operational	87,326,000	29%	116,489,200	33%	78,313,952	23%
Other own revenue	33,365,584	10%	35,375,009	10%	37,489,571	11%
Total Operating Revenue (excluding capital transfers and contributions)	312,041,064	100%	353,104,658	100%	329,118,398	100%
Total Operating Expenditure	312,041,064		353,104,658		329,118,398	
Surplus/(Deficit)	0		0		0	

The following graph is a breakdown of the operational revenue per main category for the 2011/12 financial year.

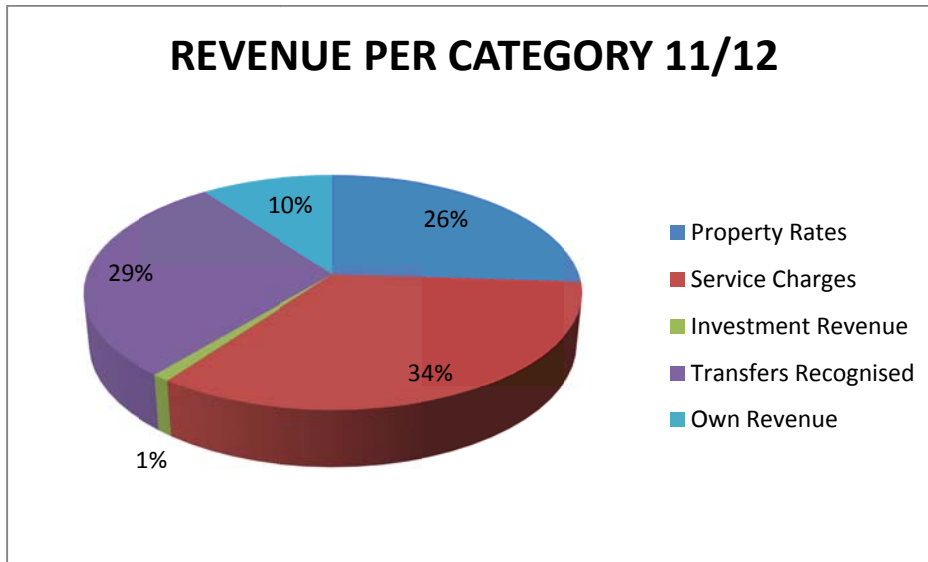


Figure 5 Breakdown of operating revenue over the 2011/12 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 95 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2011/12 MTREF on the different revenue categories are:

Table 28 Proposed tariff increases over the medium-term

Revenue to be generated from property rates is R83 million in the 2011/12 financial year and increases to R93 million by 2013/14 which represents 19.9 per cent of the operating revenue base of the Municipality. It remains relatively constant over the medium-term. With the implementation of the Municipal Property Rates Act the basis of rating significantly changed.

The Municipality is still in a process of further data verification and validation relating to the valuation roll. In addition there are still outstanding objections, although significant progress was made in dealing with these objections in the 2010/11 financial year. It is anticipated that the process will be concluded by the end of 2011. As the levying of property rates is considered a strategic revenue source a further supplementary valuation process will be undertaken in the 3rd quarter of the 2011/12 financial year. The outcome of this initiative will be closely monitored and reported on a regular basis as part of the quarterly performance reporting.

Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R106 million for the 2011/12 financial year and increasing to R118 million by 2013/14. For the 2011/12 financial year services charges amount to 56 per cent of the total revenue base and grows by 1 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity and water.

Operational grants and subsidies amount to R84million, R105 million and R75 million for each of the respective financial years of the MTREF, or 7, 7 and 6 per cent of operating revenue. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 11.6 per cent and 8.9 per cent for the two outer years. The percentage of the total operational grants and transfers in relation to the total operating revenue is distorted owing to the high increases in revenue relating to services charges.

Investment revenue contributes marginally to the revenue base of the Municipality with a budget allocation of R1 million, R1,1 million and R1.1 million for the respective three financial years of the 2011/12 MTREF. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

The tables below provide detail investment information and investment particulars by maturity.

Table 29 MBRR SA15 – Detail Investment Information

Investment type	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
Parent municipality									
Securities - National Government									
Listed Corporate Bonds									
Deposits - Bank	3,213	15,717	4,283	19,870	38,093	38,093	38,093	38,093	38,093
Deposits - Public Investment Commissioners									
Deposits - Corporation for Public Deposits									
Municipality sub-total	3,213	15,717	4,283	19,870	38,093	38,093	38,093	38,093	38,093
Consolidated total:	3,213	15,717	4,283	19,870	38,093	38,093	38,093	38,093	38,093

Table 30 MBRR SA16 – Investment particulars by maturity

Investments by Maturity	Period of Investment	Type of Investment	Expiry date of investment	Monetary value	Interest to be realised
Name of institution & investment ID	Yrs/Months			Rand thousand	
<u>Parent municipality</u>					
Reserve Account		Daily Call		10,000	
Financial Management Grant		Business Call Acc.		49	
Municipal Infrastructure Grant		Business Call Acc.		2,699	
Housing		Money Market Acc		2,735	
MSIG		Business Call Acc.		679	
DME		Money Market Acc		1,895	
Call Accounts		Business Call Acc.		20,036	
Municipality sub-total				38,093	–
TOTAL INVESTMENTS AND INTEREST				38,093	–

2.6.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2011/12 medium-term capital programme:

Table 31 Sources of capital revenue over the MTREF

Vote Description	2011/12 Medium Term Revenue & Expenditure Framework							
	Adjusted Budget	%	Budget Year 2011/12	%	Budget Year +1 2012/13	%	Budget Year +2 2013/14	%
R thousand								
<u>Funded by:</u>								
National Government	15,021,000		15,927,000		22,718,000		20,430,000	
Provincial Government	3,980,000		25,800,000		42,685,000			
Transfers recognised - capital	19,001,000	31%	37,277,000	44%	65,562,000	62%	24,598,540	30%
Public contributions & donations	0	0%	0	0%	0	0%	0	0%
Borrowing	0	0%	0	0%	0	0%	0	0%
Internally generated funds	43,888,000	69%	53,163,560	56%	40,436,746	38%	47,489,655	70%
Total Capital Funding	62,889,000	100%	90,440,560	100%	105,998,746	100%	72,088,195	100%

The above table is graphically represented as follows for the 2011/12 financial year.

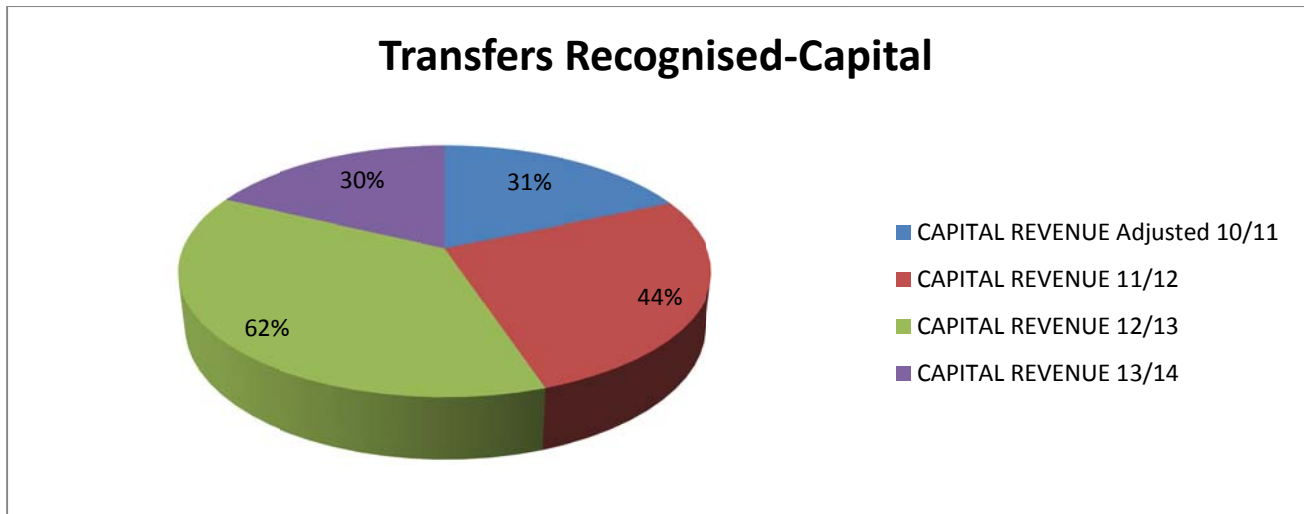


Figure 6 Sources of capital revenue for the 2011/12 financial year

Capital grants and receipts equates to 44 per cent of the total funding source which represents R41 million for the 2011/12 financial year and steadily increase to R65 million or 30 per cent by 2013/14.

The following table is a detailed analysis of the Municipality's borrowing liability.

Table 32 MBRR Table SA 17 - Detail of borrowings

Borrowing - Categorised by type R thousand	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Parent municipality									
Long-Term Loans (annuity/reducing balance)	17,207	14,237	10,331	5,261	5,261	5,261	1,525	1,617	1,714
Long-Term Loans (non-annuity)	-	-	-	-	-	-	-	-	-
Local registered stock	-	-	-	-	-	-	-	-	-
Instalment Credit	-	-	-	-	-	-	-	-	-
Financial Leases	-	-	-	-	-	-	-	-	-
PPP liabilities	-	-	-	-	-	-	-	-	-
Finance Granted By Cap Equipment Supplier	-	-	-	-	-	-	-	-	-
Marketable Bonds	-	-	-	-	-	-	-	-	-
Non-Marketable Bonds	-	-	-	-	-	-	-	-	-
Bankers Acceptances	-	-	-	-	-	-	-	-	-
Financial derivatives	-	-	-	-	-	-	-	-	-
Other Securities	-	-	-	-	-	-	-	-	-
Municipality sub-total	17,207	14,237	10,331	5,261	5,261	5,261	1,525	1,617	1,714
Total Borrowing	17,207	14,237	10,331	5,261	5,261	5,261	1,525	1,617	1,714

Figure 7 Growth in outstanding borrowing (long-term liabilities)

Internally generated funds consist of a mixture between surpluses generated on the operating statement of financial performance and cash backed reserves. In determining the credibility of this funding source it becomes necessary to review the cash flow budget as well as the cash backed reserves and accumulated funds reconciliation, as discussed below. Internally generated funds consist of R53 million in 2011/12, R40 in 2012/12 and R47 million in 2013/14.

Table 33 MBRR Table SA 18 - Capital transfers and grant receipts

Description R thousand	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Capital Transfers and Grants									
National Government:	7,359	32,763	23,611	39,811	16,438	16,438	16,077	28,824	24,599
Municipal Infrastructure (MIG)	7,359	25,313	23,611	13,771	14,590	14,590	15,927	19,365	20,430
Public Transport	–	–	–	–	–	–	–	–	–
Public Works	–	–	–	–	–	–	–	–	–
Sport and Recreation	–	5,400	–	–	–	–	150	159	169
Water Affairs	–	–	–	–	–	–	–	–	–
NEP Grant	–	2,050	–	26,040	1,848	1,848	–	9,300	4,000
Provincial Government:	15,700	–	–	11,903	15,400	15,400	21,200	33,385	–
Housing	15,700	–	–	11,903	15,400	15,400	21,200	33,385	–
Total Capital Transfers and Grants	23,059	32,763	23,611	51,713	31,838	31,838	37,277	62,209	24,599
TOTAL RECEIPTS OF TRANSFERS & GRANTS	42,614	52,995	49,892	83,837	71,784	71,784	84,726	114,680	80,388

2.6.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Table 34 MBRR Table A7 - Budget cash flow statement

Description R thousand	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Ratepayers and other	27,681	15,735	157,315	137,052	141,707	141,707	141,707	155,251	182,699	209,682
Government - operating	-	-	48,902	47,150	33,354	33,354	33,354	39,946	42,946	47,358
Government - capital	-	-	32,049	53,513	19,001	19,001	19,001	60,890	34,427	19,365
Interest	862	726	440	1,081	1,000	1,000	1,000	500	530	561
Dividends	-	-	-	-	-	-	-	-	-	-
Payments										
Suppliers and employees	(33,523)	(16,317)	(186,008)	(145,036)	(145,333)	(138,006)	(73,776)	(184,102)	(188,315)	(143,369)
Finance charges	(2,456)	(2,456)	(1,418)	(1,383)	(1,383)	(1,383)	(1,383)	(915)	(483)	(412)
Transfers and Grants	-	-	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	(7,435)	(2,311)	51,281	92,377	48,346	55,673	119,902	71,570	71,804	133,185
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE	1,702	-	682	784	824	840	-	924	998	1,098
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	-	-
Payments										
Capital assets	3,308	(1,650)	(41,859)	(53,513)	(17,750)	(62,888)	(62,888)	(76,242)	(22,206)	(23,365)
NET CASH FROM/(USED) INVESTING ACTIVITIES	5,010	(1,650)	(41,177)	(52,729)	(16,926)	(62,048)	(62,888)	(75,318)	(21,208)	(22,267)
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans	-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	32	-	-	-	-	-	-	-	-	-
Payments										
Repayment of borrowing	(3,002)	3,962	(4,150)	(3,208)	(3,208)	(3,208)	(5,546)	(1,387)	(2,798)	(917)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(2,970)	3,962	(4,150)	(3,208)	(3,208)	(3,208)	(5,546)	(1,387)	(2,798)	(917)
NET INCREASE/ (DECREASE) IN CASH HELD	(5,395)	0	5,954	36,440	28,211	(9,584)	51,469	(5,135)	47,798	110,001
Cash/cash equivalents at the year begin:	5,395	(0)	0	5,954	42,394	70,605	42,394	93,862	88,728	136,526
Cash/cash equivalents at the year end:	(0)	0	5,954	42,394	70,605	61,021	93,862	88,728	136,526	246,527

The above table shows that cash and cash equivalents of the Municipality were largely depleted between the 2007/08 and 2010/11 financial year moving from a positive cash balance of R42 million to a surplus of R88 million with the approved 2011/12 MTREF. With the 2010/11 adjustments budget various cost efficiencies and savings had to be realised to ensure the Municipality could meet its operational expenditure commitments. In addition the Municipality undertook an extensive debt collection process to boost cash levels. These initiatives and

interventions have translated into a positive cash position for the Municipality and it is projected that cash and cash equivalents on hand will increase to R88 million by the financial year end. For the 2011/12 MTREF the budget has been prepared to ensure high levels of cash and cash equivalents over the medium-term with cash levels anticipated to R136 million by 2012/13 and increasing to R246 million by 2013/14.

2.6.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 35 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

Description R thousand	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Cash and investments available										
Cash/cash equivalents at the year end	–	–	5,954	42,394	70,605	61,021	93,862	88,728	136,526	246,527
Other current investments > 90 days	24,394	18,999	3,333	(38,804)	(32,512)	(22,928)	(55,769)	(50,635)	(98,433)	(208,434)
Non current assets - Investments	–	–	–	–	–	–	–	–	–	–
Cash and investments available:	24,394	18,999	9,287	3,590	38,093	38,093	38,093	38,093	38,093	38,093
Application of cash and investments										
Unspent conditional transfers	–	–	2,239	–	–	–	–	–	–	–
Unspent borrowing	–	–	–	–	–	–	–	–	–	–
Statutory requirements	–	–	–	–	–	–	–	–	–	–
Other working capital requirements	2,476	9,264	2,248	1,603	6,589	6,589	6,589	5,526	1,946	(9,864)
Other provisions	–	–	–	–	–	–	–	–	–	–
Long term investments committed	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	–	–	–	–	–	–	–	–	–	–
Total Application of cash and investments:	2,476	9,264	4,487	1,603	6,589	6,589	6,589	5,526	1,946	(9,864)
Surplus(shortfall)	21,918	9,735	4,800	1,987	31,504	31,504	31,504	32,567	36,147	47,957

From the above table it can be seen that the cash and investments available total R32 million in the 2011/12 financial year and progressively increase to R47 million by 2013/14, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued. During the 2010/11 financial year the municipality was required to supply National Treasury with a detailed analysis of the unspent grants as well as an action plan of spending the grants. The Municipality has received the necessary roll-over approval from the National Treasury as the funding appropriation relating to the unspent conditional grants could be motivated as part of existing projects.
- There is no unspent borrowing from the previous financial years. In terms of the municipality's Borrowing and Investments Policy, borrowings are only drawn down once the expenditure has been incurred against the particular project. Unspent borrowing is ring-fenced and reconciled on a monthly basis to ensure no unnecessary liabilities are incurred.
- Provisions for statutory requirements include VAT owing to timing differences resulting from year- end obligations.
- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital, as was experienced by the Municipality in 2010/11 resulting in cash flow challenges. For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure has been provided for. It needs to be noted that although this can be considered prudent, the desired cash levels should be 60 days to ensure continued liquidity of the municipality. Any underperformance in relation to collections could place upward pressure on the ability of the Municipality to meet its creditor obligations.
- Long term investments consist primarily of the sinking funds for the repayment of future borrowings. The sinking fund value is held within long term investments and must be 'held to maturity' and is not available for spending.
- Most reserve fund cash-backing is discretionary in nature, but the reserve funds are not available to support a budget unless they are cash-backed. The reserve funds are not fully cash-backed. The level of cash-backing is directly informed by the municipality's cash backing policy. These include the rehabilitation of landfill sites and quarries.

It can be concluded that the Municipality has a surplus against the cash backed and accumulated surpluses reconciliation. The level of cash-backing progressively increasing over the period 2007/08 to 2010/11 escalating from R21 million to R32 million in 2010/11. It is aimed that by 2013/14 this surplus would have been significantly increased to R47 million. It needs to be noted that for all practical purposes the 2010/11 MTREF was unfunded when considering the funding requirements of section 18 and 19 of the MFMA. The 2011/12 MTREF has been informed by ensuring the financial plan meets the minimum requirements of the MFMA. Nevertheless from a pure cash flow perspective (cash out flow versus cash inflow) the budget is funded and is therefore credible. The challenge for the Municipality will be to ensure that the underlying planning and cash flow assumptions are meticulously managed, especially the performance against the collection rate.

2.6.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual

budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 36 MBRR SA10 – Funding compliance measurement

Description	MFMA section	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Funding measures	-										
Cash/cash equivalents at the year end - R'000	18(1)b	(0)	0	5,954	42,394	70,605	61,021	93,862	88,728	136,526	246,527
Cash + investments at the yr end less applications - R'000	18(1)b	29,271	11,106	4,800	1,987	31,504	31,504	31,504	32,567	36,147	47,957
Cash year end/monthly employee/supplier payments	18(1)b	(0.0)	0.0	0.6	5.8	7.7	6.6	10.2	8.0	11.6	19.8
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	819	(30,722)	11,624	0	0	0	0	53,164	40,437	47,490
Service charge rev % change - macro CPI target exclusive	18(1)a,(2)	N.A.	(17.1%)	103.9%	(5.2%)	12.0%	(6.0%)	(6.0%)	15.0%	(0.9%)	(0.0%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	9.1%	(12.2%)	85.5%	86.3%	59.9%	59.9%	60%	58.3%	59.9%	74.4%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	0.0%	0.0%	14.3%	0.0%	0.0%	0.0%	0.0%	1.4%	1.4%	1.4%
Capital payments % of capital expenditure	18(1)c;19	(7.6%)	3.8%	120.4%	61.5%	24.9%	88.2%	88.2%	84.3%	20.9%	32.4%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	N.A.	(58.5%)	42.5%	(32.0%)	0.0%	0.0%	0.0%	24.9%	32.5%	37.1%
Long term receivables % change - incr(decr)	18(1)a	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	6.4%	17.3%	10.9%	15.3%	16.5%	16.5%	19.5%	5.0%	3.1%	0.0%
Asset renewal % of capital budget	20(1)(vi)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

2.6.5.1 Cash/cash equivalent position

The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2011/12 MTREF shows R88 million, R136 million and R246 million for each respective financial year.

2.6.5.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 25, on page 25. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

2.6.5.3 *Monthly average payments covered by cash or cash equivalents*

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due.

2.6.5.4 *Surplus/deficit excluding depreciation offsets*

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

2.6.5.5 *Property Rates/service charge revenue as a percentage increase less macro inflation target*

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 3 - 6 per cent). The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the percentage growth totals 9.4, 8.9 and 9.0 per cent for the respective financial year of the 2011/12 MTREF. Considering the lowest percentage tariff increase in relation to revenue generated from rates and services charges is 6 per cent, with the increase in electricity at 9 per cent it is to be expected that the increase in revenue will exceed the inflation target figures. However, the outcome is lower than it might be due to the slowdown in the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

2.6.5.6 *Cash receipts as a percentage of ratepayer and other revenue*

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 57.3, 59.9 and 74.5 per cent for each of the respective financial years. Given that the assumed collection rate was based on a 95 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

2.6.5.7 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

2.6.5.8 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 2 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

2.6.5.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded. Further details relating to the borrowing strategy of the Municipality can be found on 66.

2.6.5.10 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

2.6.5.11 Consumer debtors change (Current and Non-current)

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the Municipality's policy of settling debtor's accounts within 30 days.

2.6.5.12 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the Municipality's strategy pertaining to asset management and repairs and maintenance is contained in Table 60 MBRR SA34C on page 90.

2.6.5.13 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of

renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained in Table 59 MBRR SA34b on page 89.

2.7 Expenditure on grants and reconciliations of unspent funds

Table 37 MBRR SA19 - Expenditure on transfers and grant programmes

Description R thousand	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
EXPENDITURE:									
<u>Operating expenditure of Transfers and Grants</u>									
National Government:	19,555	20,232	26,281	32,124	39,946	39,946	44,986	49,860	53,030
Local Government Equitable Share	15,055	18,997	22,796	28,639	36,196	36,196	42,946	47,560	50,680
Levy replacement	–	–	–	–	–	–	–	–	–
Finance Management	500	500	2,750	2,750	3,000	3,000	1,250	1,500	1,500
Municipal Systems Improvement	4,000	735	735	735	750	750	790	800	850
Provincial Government:	15,700	–	–	11,903	–	–	2,613	2,770	2,928
Housing	15,000	–	–	11,903	–	–	–	–	–
Sports and Recreation	–	–	–	–	–	–	150	159	169
Property Rates/Libraries	700	–	–	–	–	–	2,463	2,611	2,759
Total operating expenditure of Transfers and Grants:	35,255	20,232	26,281	44,027	39,946	39,946	47,599	52,630	55,958
<u>Capital expenditure of Transfers and Grants</u>									
National Government:	7,359	32,763	23,611	39,811	16,438	16,438	15,927	28,665	24,430
Municipal Infrastructure (MIG)	7,359	25,313	23,611	13,771	14,590	14,590	15,927	19,365	20,430
Sport and Recreation	–	5,400	–	–	–	–	–	–	–
Water Affairs	–	–	–	–	–	–	–	–	–
NEP Grant	–	2,050	–	26,040	1,848	1,848	–	9,300	4,000
Provincial Government:	–	–	–	–	15,400	15,400	21,200	33,385	–
Housing	–	–	–	–	15,400	15,400	21,200	33,385	–
Total capital expenditure of Transfers and Grants	7,359	32,763	23,611	39,811	31,838	31,838	37,127	62,050	24,430
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	42,614	52,995	49,892	83,837	71,784	71,784	84,726	114,680	80,388

Table 38 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

Description R thousand	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<u>Operating transfers and grants:</u>									
National Government:									
Balance unspent at beginning of the year	25,181	24,207	2,836						
Current year receipts	20,582	20,570	2,239	32,124	33,154	33,154	39,946	42,946	47,108
Conditions met - transferred to revenue	45,763	44,777	5,076	32,124	33,154	33,154	39,946	42,946	47,108
Conditions still to be met - transferred to liabilities									
Provincial Government:									
Balance unspent at beginning of the year									
Current year receipts	5,173	15,000	–	11,903	1,000	1,000	41,409	45,819	35,313
Conditions met - transferred to revenue	5,173	15,000	–	11,903	1,000	1,000	41,409	45,819	35,313
Total operating transfers and grants revenue	50,936	59,777	5,076	44,027	34,154	34,154	81,355	88,765	82,421
Total operating transfers and grants - CTBM	–	–	–	–	–	–	–	–	–
<u>Capital transfers and grants:</u>									
National Government:									
Balance unspent at beginning of the year									
Current year receipts	4,851	7,659	25,313	23,611	16,438	16,438	17,842	25,227	19,365
Conditions met - transferred to revenue	4,851	7,659	25,313	23,611	16,438	16,438	17,842	25,227	19,365
Conditions still to be met - transferred to liabilities									
Provincial Government:									
Balance unspent at beginning of the year									
Current year receipts			–				2,100	–	–
Conditions met - transferred to revenue	–	–	–	–	–	–	2,100	–	–
Total capital transfers and grants revenue	4,851	7,659	25,313	23,611	16,438	16,438	19,942	25,227	19,365
Total capital transfers and grants - CTBM	–	–	–	–	–	–	–	–	–
TOTAL TRANSFERS AND GRANTS REVENUE	55,787	67,436	30,389	67,638	50,592	50,592	101,297	113,992	101,786
TOTAL TRANSFERS AND GRANTS - CTBM	–	–	–	–	–	–	–	–	–

2.8 Councillor and employee benefits

Table 39 MBRR SA22 - Summary of councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
	A	B	C	D	E	F	G	H	I
<u>Councillors (Political Office Bearers plus Other)</u>									
Salary	529	1,701	2,098	2,228	2,228	2,228	3,641	3,876	4,127
Pension Contributions	-	-	-	-	-	-	-	-	-
Medical Aid Contributions	-	-	-	-	-	-	-	-	-
Motor vehicle allowance	506	537	559	743	829	829	961	1,004	1,050
Cell phone allowance	99	107	107	161	140	140	217	227	237
Housing allowance	-	-	-	-	-	-	-	-	-
Other benefits or allowances	-	-	-	-	-	-	-	-	-
In-kind benefits	-	-	-	-	-	-	-	-	-
Sub Total - Councillors	1,134	2,345	2,763	3,132	3,197	3,197	4,819	5,107	5,414
% increase		106.8%	17.8%	13.3%	2.1%	0.0%	50.7%	6.0%	6.0%
<u>Senior Managers of the Municipality</u>									
Salary	1,387	1,814	1,875	2,922	2,877	2,877	2,696	2,817	2,944
Pension Contributions	-	-	-	-	-	-	-	-	-
Medical Aid Contributions	-	-	-	-	-	-	-	-	-
Motor vehicle allowance	546	663	665	678	713	713	800	836	873
Cell phone allowance	13	13	14	15	14	14	79	83	86
Housing allowance	23	52	53	53	56	56	51	53	56
Performance Bonus	-	-	-	-	-	-	378	395	413
Other benefits or allowances	-	-	-	-	-	-	542	567	592
In-kind benefits	-	-	-	-	-	-	-	-	-
Sub Total - Senior Managers of Municipality	1,969	2,541	2,607	3,668	3,660	3,660	4,546	4,750	4,964
% increase		29.1%	2.6%	40.7%	(0.2%)	-	24.2%	4.5%	4.5%
<u>Other Municipal Staff</u>									
Basic Salaries and Wages	19,599	25,369	29,233	28,844	36,650	36,650	51,560	54,983	62,155
Pension Contributions	4,843	4,387	4,587	4,850	7,588	7,588	7,268	7,595	7,937
Medical Aid Contributions	3,542	1,273	1,375	2,578	2,640	2,640	2,330	2,435	2,545
Motor vehicle allowance	565	1,565	1,565	2,722	3,249	3,249	2,063	2,156	2,253
Cell phone allowance	66	67	88	342	379	379	70	73	77
Housing allowance	143	215	250	641	770	770	869	908	949
Overtime	-	-	-	-	2,274	2,274	1,790	1,871	1,955
Performance Bonus	-	-	-	-	-	-	-	-	-
Other benefits or allowances	2,384	2,650	3,000	3,150	3,250	3,250	3,004	3,139	3,280
In-kind benefits	-	-	-	-	-	-	-	-	-
Sub Total - Other Municipal Staff	31,142	35,525	40,098	43,127	56,799	56,799	68,954	73,160	81,150
% increase		14.1%	12.9%	7.6%	31.7%	-	21.4%	6.1%	10.9%
Total Parent Municipality	34,245	40,411	45,468	49,926	63,656	63,656	78,318	83,017	91,528
TOTAL SALARY, ALLOWANCES & BENEFITS	34,245	40,411	45,468	49,926	63,656	63,656	78,318	83,017	91,528
% increase		18.0%	12.5%	9.8%	27.5%	0.0%	23.0%	6.0%	10.3%
TOTAL MANAGERS AND STAFF	33,111	38,066	42,705	46,794	60,459	60,459	73,500	77,910	86,114

Table 40 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)

Disclosure of Salaries, Allowances & Benefits 1.	No. 10	Salary	Contrib.	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum			1.			2.	3.
Councillors							
Speaker	1	383,422	57,619	134,358			575,399
Chief Whip	–	–	–	–			–
Executive Mayor	1	479,284	86,712	181,303			747,299
Deputy Executive Mayor	1	383,422	57,619	134,358			575,399
Executive Committee	1	197,710	29,710	71,077			298,497
Total for all other councillors	7	1,725,388	239,683	656,866			2,621,937
Total Councillors	11	3,169,225	471,343	1,177,964			4,818,532
Senior Managers of the Municipality							
Municipal Manager (MM)	1	687,779	13,756	366,600	105,000	–	1,173,135
Chief Finance Officer	1	501,249	10,025	275,820	65,710	–	852,804
Deputy City Manager - Governance						–	–
Deputy City Manager - Procurement & Infrastructure	1	501,249	10,025	275,820	65,710	–	852,804
Deputy City Manager - Health, Safety & Social Issues	1	501,246	10,025	275,820	65,710	–	852,801
Deputy City Manager - Corporate & Human Resources	1	501,249	10,025	275,820	65,710	–	852,804
Total Senior Managers of the Municipality	5	2,692,772	53,856	1,469,880	367,840	–	4,584,348
TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION	16	5,861,998	525,199	2,647,844	367,840	–	9,402,880

Table 41 MBRR SA24 – Summary of personnel numbers

Summary of Personnel Numbers	2009/10			Current Year 2010/11			Budget Year 2011/12		
	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council									
Councillors (Political Office Bearers plus Other Councillors)	11	3	9	9	3	9	9	3	9
Municipal employees	–	–	–	–	–	–	–	–	–
Municipal Manager and Senior Managers	5	–	5	5	–	5	5	–	5
Other Managers	10		10	10	10	10	10	10	10
Professionals	40	39	12	42	39	13	42	38	12
Finance	30	30	8	30	30	8	30	30	8
Spatial/town planning	–	–	1	2	–	2	2	–	2
Information Technology	2	1	1	2	1	1	2	–	–
Roads	–	–	–	–	–	–	150	130	20
Electricity	8	8	2	8	8	2	8	8	2
Refuse							150	140	10
Technicians	231	224	4	318	303	49	10	10	–
Roads	43	43	–	43	43	35	43	43	35
Electricity	127	120	4	112	110	4	113	100	4
Refuse	61	61	–	163	150	10	163	153	10
Clerks (Clerical and administrative)	30	30	–	30	30	15	30	30	15
TOTAL PERSONNEL NUMBERS	327	296	40	414	385	101	415	377	100
% increase				26.6%	30.1%	152.5%	0.2%	(2.1%)	(1.0%)
Total municipal employees headcount									
Finance personnel headcount	34	34	8	34	34	8	34	34	5
Human Resources personnel headcount	28	28	4	28	28	4	29	29	3

1.9. Monthly targets for revenue, expenditure and cash flow
Table 42 MBRR SA25 - Budgeted monthly revenue and expenditure

Description	Budget Year 2011/12												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Revenue By Source															
Property rates	6,205	6,205	6,205	6,205	6,205	6,205	6,205	6,205	6,205	6,205	6,205	6,205	74,460	78,928	83,663
Property rates - penalties & collection charges	208	208	208	208	208	208	208	208	208	208	208	208	2,501	2,651	2,810
Service charges - electricity revenue	7,615	7,615	7,615	7,615	7,615	7,615	7,615	7,615	7,615	7,615	7,615	7,615	91,378	96,861	102,673
Service charges - refuse revenue	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	15,500	14,840	15,730
Interest earned - external investments	83	83	83	83	83	83	83	83	83	83	83	83	1,000	1,060	1,124
Interest earned - outstanding debtors	1	1	1	1	1	1	1	1	1	1	1	1	10	11	12
Fines	583	583	583	583	583	583	583	583	583	583	583	583	7,000	7,420	7,865
Licences and permits	467	467	467	467	467	467	467	467	467	467	467	467	5,600	5,936	6,292
Transfers recognised - operational	4,109	4,109	4,109	4,109	4,109	4,109	4,109	4,109	4,109	4,109	4,109	4,109	49,306	54,439	57,883
Other revenue	5,441	5,441	5,441	5,441	5,441	5,441	5,441	5,441	5,441	5,441	5,441	5,441	65,286	90,959	51,066
Total Revenue (excluding capital transfers and contributions)	26,003	26,003	26,003	26,003	26,003	26,003	26,003	26,003	26,003	26,003	26,003	26,004	312,041	353,105	329,118
Expenditure By Type															
Employee related costs	6,124	6,124	6,124	6,124	6,124	6,124	6,124	6,124	6,124	6,124	6,124	6,123	73,487	77,896	82,570
Remuneration of councillors	403	403	403	403	403	403	403	403	403	403	403	403	4,831	5,121	5,429
Debt impairment	208	208	208	208	208	208	208	208	208	208	208	208	2,500	2,650	2,809
Depreciation & asset impairment	167	167	167	167	167	167	167	167	167	167	167	167	2,000	2,120	2,247
Finance charges	127	127	127	127	127	127	127	127	127	127	127	127	1,525	1,617	1,714
Bulk purchases	4,196	4,196	4,196	4,196	4,196	4,196	4,196	4,196	4,196	4,196	4,196	4,196	50,350	53,371	56,573
Other expenditure	11,673	11,673	11,673	11,673	11,673	11,673	11,673	11,673	11,673	11,673	11,673	11,673	140,071	144,766	153,177
Total Expenditure	22,897	22,897	22,897	22,897	22,897	22,897	22,897	22,897	22,897	22,897	22,897	22,897	274,764	287,541	304,518
Surplus/(Deficit)	3,106	3,106	3,106	3,106	3,106	3,106	3,106	3,106	3,106	3,106	3,106	3,106	37,277	65,564	24,600
Transfers recognised - capital	(3,106)	(3,106)	(3,106)	(3,106)	(3,106)	(3,106)	(3,106)	(3,106)	(3,106)	(3,106)	(3,106)	(3,106)	(37,277)	(65,564)	(24,600)
Surplus/(Deficit)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1

Table 43 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

Description R thousand	Budget Year 2011/12												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Revenue by Vote															
EXECUTIVE AND COUNCIL	83	83	83	83	83	83	83	83	83	83	83	83	1,000	1,060	1,124
CORPORATE SERVICES	142	142	142	142	142	142	142	142	142	142	142	142	1,700	1,802	1,910
BUDGET AND TREASURY	12,040	12,040	12,040	12,040	12,040	12,040	12,040	12,040	12,040	12,040	12,040	12,040	144,483	155,327	164,825
COMMUNITY AND SOCIAL SERVICES	157	157	157	157	157	157	157	157	157	157	157	157	1,880	1,993	2,112
PUBLIC SAFETY	1,133	1,133	1,133	1,133	1,133	1,133	1,133	1,133	1,133	1,133	1,133	1,133	13,600	14,416	15,281
PARKS AND RECREATION	33	33	33	33	33	33	33	33	33	33	33	33	400	424	449
WASTE MANAGEMENT	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	15,500	14,840	15,730
PLANNING AND DEVELOPMENT	1,997	1,997	1,997	1,997	1,997	1,997	1,997	1,997	1,997	1,997	1,997	1,997	23,969	36,320	3,111
ROAD TRANSPORT	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	16,825	19,371	20,436
ELECTRICITY SERVICES	7,724	7,724	7,724	7,724	7,724	7,724	7,724	7,724	7,724	7,724	7,724	7,724	92,682	107,543	104,138
Total Revenue by Vote	26,003	26,003	26,003	26,003	26,003	26,003	26,003	26,003	26,003	26,003	26,003	26,004	312,039	353,095	329,116
Expenditure by Vote to be appropriated															
EXECUTIVE AND COUNCIL	2,363	2,363	2,363	2,363	2,363	2,363	2,363	2,363	2,363	2,363	2,363	2,362	28,351	30,052	31,855
CORPORATE SERVICES	1,951	1,951	1,951	1,951	1,951	1,951	1,951	1,951	1,951	1,951	1,951	1,950	23,407	22,617	24,053
BUDGET AND TREASURY	4,042	4,042	4,042	4,042	4,042	4,042	4,042	4,042	4,042	4,042	4,042	4,041	48,502	56,120	59,932
COMMUNITY AND SOCIAL SERVICES	636	636	636	636	636	636	636	636	636	636	636	636	7,631	8,089	8,575
PUBLIC SAFETY	2,024	2,024	2,024	2,024	2,024	2,024	2,024	2,024	2,024	2,024	2,024	2,024	24,288	24,010	19,844
PARKS AND RECREATION	378	378	378	378	378	378	378	378	378	378	378	379	4,540	4,831	5,102
WASTE MANAGEMENT	832	832	832	832	832	832	832	832	832	832	832	832	9,980	10,579	11,214
PLANNING AND DEVELOPMENT	925	925	925	925	925	925	925	925	925	925	925	925	11,105	11,640	12,338
ROAD TRANSPORT	3,094	3,094	3,094	3,094	3,094	3,094	3,094	3,094	3,094	3,094	3,094	3,095	37,133	29,861	42,987
ELECTRICITY SERVICES	6,652	6,652	6,652	6,652	6,652	6,652	6,652	6,652	6,652	6,652	6,652	6,652	79,822	89,754	88,621
Total Expenditure by Vote	22,897	22,897	22,897	22,897	22,897	22,897	22,897	22,897	22,897	22,897	22,897	22,898	274,760	287,553	304,520
Surplus/(Deficit) before assoc.	3,107	3,107	3,107	3,107	3,107	3,107	3,107	3,107	3,107	3,107	3,107	3,106	37,279	65,542	24,596

Table 44 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

Description R thousand	Budget Year 2011/12												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Revenue - Standard															
<i>Governance and administration</i>	12,265	12,265	12,265	12,265	12,265	12,265	12,265	12,265	12,265	12,265	12,265	12,265	147,183	158,189	167,858
Executive and council	83	83	83	83	83	83	83	83	83	83	83	83	1,000	1,060	1,124
Budget and treasury office	12,040	12,040	12,040	12,040	12,040	12,040	12,040	12,040	12,040	12,040	12,040	12,040	144,483	155,327	164,825
Corporate services	142	142	142	142	142	142	142	142	142	142	142	142	1,700	1,802	1,910
<i>Community and public safety</i>	1,324	1,324	1,324	1,324	1,324	1,324	1,324	1,324	1,324	1,324	1,324	1,323	15,882	16,835	17,845
Community and social services	157	157	157	157	157	157	157	157	157	157	157	157	1,882	1,995	2,114
Sport and recreation	33	33	33	33	33	33	33	33	33	33	33	33	400	424	450
Public safety	1,133	1,133	1,133	1,133	1,133	1,133	1,133	1,133	1,133	1,133	1,133	1,133	13,600	14,416	15,281
<i>Economic and environmental services</i>	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	40,794	55,691	23,547
Planning and development	1,997	1,997	1,997	1,997	1,997	1,997	1,997	1,997	1,997	1,997	1,997	1,997	23,969	36,320	3,111
Road transport	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	1,402	16,825	19,371	20,436
<i>Trading services</i>	9,015	9,015	9,015	9,015	9,015	9,015	9,015	9,015	9,015	9,015	9,015	9,015	108,182	122,390	119,868
Electricity	7,724	7,724	7,724	7,724	7,724	7,724	7,724	7,724	7,724	7,724	7,724	7,724	92,682	107,550	104,138
Waste management	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	15,500	14,840	15,730
Total Revenue - Standard	26,003	26,003	26,003	26,003	26,003	26,003	26,003	26,003	26,003	26,003	26,003	26,003	312,041	353,105	329,119
Expenditure - Standard															
<i>Governance and administration</i>	8,355	8,355	8,355	8,355	8,355	8,355	8,355	8,355	8,355	8,355	8,355	8,354	100,259	108,789	115,840
Executive and council	2,363	2,363	2,363	2,363	2,363	2,363	2,363	2,363	2,363	2,363	2,363	2,362	28,351	30,052	31,855
Budget and treasury office	4,042	4,042	4,042	4,042	4,042	4,042	4,042	4,042	4,042	4,042	4,042	4,041	48,502	56,120	59,932
Corporate services	1,951	1,951	1,951	1,951	1,951	1,951	1,951	1,951	1,951	1,951	1,951	1,950	23,407	22,617	24,053
<i>Community and public safety</i>	3,051	3,051	3,051	3,051	3,051	3,051	3,051	3,051	3,051	3,051	3,051	3,051	36,610	37,071	33,688
Community and social services	636	636	636	636	636	636	636	636	636	636	636	636	7,631	8,089	8,575
Sport and recreation	391	391	391	391	391	391	391	391	391	391	391	391	4,690	4,972	5,270
Public safety	2,024	2,024	2,024	2,024	2,024	2,024	2,024	2,024	2,024	2,024	2,024	2,024	24,288	24,010	19,844
<i>Economic and environmental services</i>	7,114	7,114	7,114	7,114	7,114	7,114	7,114	7,114	7,114	7,114	7,114	7,115	85,370	97,604	75,755
Planning and development	2,692	2,692	2,692	2,692	2,692	2,692	2,692	2,692	2,692	2,692	2,692	2,692	32,309	45,025	12,338
Road transport	4,422	4,422	4,422	4,422	4,422	4,422	4,422	4,422	4,422	4,422	4,422	4,422	53,060	52,579	63,417
<i>Trading services</i>	7,484	7,484	7,484	7,484	7,484	7,484	7,484	7,484	7,484	7,484	7,484	7,484	89,803	109,640	103,835
Electricity	6,652	6,652	6,652	6,652	6,652	6,652	6,652	6,652	6,652	6,652	6,652	6,652	79,822	99,061	92,621
Waste management	832	832	832	832	832	832	832	832	832	832	832	832	9,980	10,579	11,214
Total Expenditure - Standard	26,003	26,003	26,003	26,003	26,003	26,003	26,003	26,003	26,003	26,003	26,003	26,004	312,041	353,104	329,118
Surplus/(Deficit)	0	0	0	0	0	0	0	0	0	0	0	(1)	0	0	0

Table 45 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

Description R thousand	Budget Year 2011/12												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<u>Multi-year expenditure to be appropriated</u>															
EXECUTIVE AND COUNCIL	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
CORPORATE SERVICES	167	167	167	167	167	167	167	167	167	167	167	167	2,000	–	–
BUDGET AND TREASURY	92	92	92	92	92	92	92	92	92	92	92	92	1,100	650	500
COMMUNITY AND SOCIAL SERVICES	17	17	17	17	17	17	17	17	17	17	17	17	200	212	225
PUBLIC SAFETY	604	604	604	604	604	604	604	604	604	604	604	604	7,250	5,950	700
PARKS AND RECREATION	83	83	83	83	83	83	83	83	83	83	83	83	1,000	1,060	1,124
WASTE MANAGEMENT	13	13	13	13	13	13	13	13	13	13	13	13	150	159	169
PLANNING AND DEVELOPMENT	1,777	1,777	1,777	1,777	1,777	1,777	1,777	1,777	1,777	1,777	1,777	1,777	21,328	33,385	–
ROAD TRANSPORT	3,593	3,593	3,593	3,593	3,593	3,593	3,593	3,593	3,593	3,593	3,593	3,593	43,113	34,983	50,370
ELECTRICITY SERVICES	1,192	1,192	1,192	1,192	1,192	1,192	1,192	1,192	1,192	1,192	1,192	1,192	14,300	29,600	19,000
Capital multi-year expenditure sub-total	7,537	7,537	7,537	7,537	7,537	7,537	7,537	7,537	7,537	7,537	7,537	7,537	90,441	105,999	72,087
Capital single-year expenditure sub-total	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Capital Expenditure	7,537	7,537	7,537	7,537	7,537	7,537	7,537	7,537	7,537	7,537	7,537	7,537	90,441	105,999	72,087

Table 46 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

Description	Budget Year 2011/12												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand															
<u>Capital Expenditure - Standard</u>															
<i>Governance and administration</i>	258	258	258	258	258	258	258	258	258	258	258	258	3,100	650	500
Executive and council	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Budget and treasury office	92	92	92	92	92	92	92	92	92	92	92	92	1,100	650	500
Corporate services	167	167	167	167	167	167	167	167	167	167	167	167	2,000	–	–
<i>Community and public safety</i>	2,471	2,471	2,471	2,471	2,471	2,471	2,471	2,471	2,471	2,471	2,471	2,471	29,650	40,607	2,048
Community and social services	17	17	17	17	17	17	17	17	17	17	17	17	200	212	225
Sport and recreation	83	83	83	83	83	83	83	83	83	83	83	83	1,000	1,060	1,124
Public safety	604	604	604	604	604	604	604	604	604	604	604	604	7,250	5,950	700
Housing	1,767	1,767	1,767	1,767	1,767	1,767	1,767	1,767	1,767	1,767	1,767	1,767	21,200	33,385	–
<i>Economic and environmental services</i>	3,603	3,603	3,603	3,603	3,603	3,603	3,603	3,603	3,603	3,603	3,603	3,603	43,241	34,983	50,370
Planning and development	11	11	11	11	11	11	11	11	11	11	11	11	128	–	–
Road transport	3,593	3,593	3,593	3,593	3,593	3,593	3,593	3,593	3,593	3,593	3,593	3,592	43,113	34,983	50,370
<i>Trading services</i>	1,204	1,204	1,204	1,204	1,204	1,204	1,204	1,204	1,204	1,204	1,204	1,204	14,450	29,759	19,169
Electricity	1,192	1,192	1,192	1,192	1,192	1,192	1,192	1,192	1,192	1,192	1,192	1,192	14,300	29,600	19,000
Waste management	13	13	13	13	13	13	13	13	13	13	13	13	150	159	169
Total Capital Expenditure - Standard	7,537	7,537	7,537	7,537	7,537	7,537	7,537	7,537	7,537	7,537	7,537	7,536	90,441	105,999	72,087

Table 47 MBRR SA30 - Budgeted monthly cash flow

MONTHLY CASH FLOWS R thousand	Budget Year 2011/12												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<u>Cash Receipts By Source</u>													1		
Property rates	6,205	6,205	6,205	6,205	6,205	6,205	6,205	6,205	6,205	6,205	6,205	6,205	74,460	78,928	83,663
Property rates - penalties & collection charges	208	208	208	208	208	208	208	208	208	208	208	208	2,501	2,651	2,810
Service charges - electricity revenue	7,615	7,615	7,615	7,615	7,615	7,615	7,615	7,615	7,615	7,615	7,615	7,615	91,378	96,861	102,673
Service charges - refuse revenue	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	1,292	15,500	14,840	15,730
Interest earned - external investments	83	83	83	83	83	83	83	83	83	83	83	83	1,000	1,060	1,124
Interest earned - outstanding debtors	1	1	1	1	1	1	1	1	1	1	1	1	10	11	12
Fines	583	583	583	583	583	583	583	583	583	583	583	583	7,000	7,420	7,865
Licences and permits	467	467	467	467	467	467	467	467	467	467	467	467	5,600	5,936	6,292
Transfer receipts - operational	4,109	4,109	4,109	4,109	4,109	4,109	4,109	4,109	4,109	4,109	4,109	4,109	49,306	54,439	57,883
Other revenue	5,441	5,441	5,441	5,441	5,441	5,441	5,441	5,441	5,441	5,441	5,441	5,441	65,286	90,959	51,066
Cash Receipts by Source	26,003	26,003	26,003	26,003	26,003	26,003	26,003	26,003	26,003	26,003	26,003	26,004	312,041	353,105	329,118
<u>Other Cash Flows by Source</u>															
Transfer receipts - capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributions recognised - capital & Contributed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short term loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Receipts by Source	26,003	26,003	26,003	26,003	26,003	26,003	26,003	26,003	26,003	26,003	26,003	26,004	312,041	353,105	329,118
<u>Cash Payments by Type</u>															
Employee related costs	6,387	6,387	6,387	6,387	6,387	6,387	6,387	6,387	6,387	6,387	6,387	3,233	73,487	77,896	82,570
Remuneration of councillors	402	402	402	402	402	402	402	402	402	402	402	414	4,831	5,121	5,429
Collection costs	-	-	-	-	-	-	-	-	-	-	-	600	600	636	674
Interest paid	127	127	127	127	127	127	127	127	127	127	127	127	1,525	1,617	1,714
Bulk purchases - Electricity	4,196	4,196	4,196	4,196	4,196	4,196	4,196	4,196	4,196	4,196	4,196	4,196	50,350	53,371	56,573
General expenses	15,200	15,200	15,200	15,200	15,200	15,200	15,200	15,200	15,200	15,200	15,200	(76,392)	90,808	108,463	110,070
Cash Payments by Type	26,311	26,311	26,311	26,311	26,311	26,311	26,311	26,311	26,311	26,311	26,311	(67,823)	221,601	247,104	257,030

Other Cash Flows/Payments by Type															
Capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repayment of borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Cash Flows/Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Payments by Type	26,311	26,311	26,311	26,311	26,311	26,311	26,311	26,311	26,311	26,311	26,311	(67,823)	221,601	247,104	257,030
NET INCREASE/(DECREASE) IN CASH HELD	(308)	(308)	(308)	(308)	(308)	(308)	(308)	(308)	(308)	(308)	(308)	93,827	90,440	106,001	72,088
Cash/cash equivalents at the month/year begin:		(308)	(616)	(923)	(1,231)	(1,539)	(1,847)	(2,155)	(2,463)	(2,770)	(3,078)	(3,386)	-	90,440	196,441
Cash/cash equivalents at the month/year end:	(308)	(616)	(923)	(1,231)	(1,539)	(1,847)	(2,155)	(2,463)	(2,770)	(3,078)	(3,386)	90,440	90,440	196,441	268,529

2.9 Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, there were contracts awarded beyond the medium-term revenue and expenditure framework (three years). List attached:-

SERVICE PROVIDER	FILE NUMBER	DATE OF APPOINTMENT	DURATION
AYANDA MBANGA COMMUNICATIONS (PTY) LTD	C45	13-Jun-07	23 SEPTEMBER 2010 - 22 OCTOBER 2013
LUANDI MEDIA MARKETING	C97	01-Jul-09	01 JULY 2009 - 30 JUNE 2012
ELITE SECURITY, ZINCUME MANGENI JV	C103	17-Jun-10	31 AUGUST 2010 - 31 JULY 2012
VULTURE SECURITY, CACULAMA			
AYANDA MBANGA	C106	17-Sep-10	22 AUGUST 2010 - 24 SEPTEMBER 2013
P J PLASTICS	C109	30-Sep-10	03 SEPTEMBER 2011 - 04 OCTOBER 2013
WES BANK	C130	14-Feb-11	14 FEBRUARY 2011 - 13 FEBRUARY 2015
GLENBIZ TRADING/ALOE OFFICE	C134	08-Mar-10	08 MARCH 2011 - 07 FEBRUARY 2013
VODACOM (PTY) LTD	C137	30-Mar-10	30 MARCH 2011 - 28 FEBRUARY 2013

2.10 Capital expenditure details

The following two tables present details of the Municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

Table 48 MBRR SA 34a - Capital expenditure on new assets by asset class

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
<u>Capital expenditure on new assets by Asset Class/Sub-class</u>									
-									
<u>Infrastructure</u>	23,449	21,235	21,513	60,833	51,452	51,452	57,562	63,162	66,518
Infrastructure - Road transport	13,972	10,990	10,286	52,483	37,865	37,865	45,112	33,403	47,349
Roads, Pavements & Bridges	13,972	10,990	10,286	52,483	37,865	37,865	45,112	33,403	47,349
Storm water	-	-	-	-	-	-	-	-	-
Infrastructure - Electricity	9,477	10,245	11,227	3,830	10,248	10,248	12,300	29,600	19,000
Generation	5,800	4,000	5,000	2,180	-	-	4,500	21,300	15,000
Transmission & Reticulation	150	5,545	5,227	850	8,248	8,248	4,800	8,300	4,000
Street Lighting	3,527	700	1,000	800	2,000	2,000	3,000	-	-
Infrastructure - Other	-	-	-	4,520	3,339	3,339	150	159	169
Waste Management	-	-	-	4,520	3,339	3,339	150	159	169
<u>Community</u>	4,224	7,532	-	6,465	3,328	3,328	8,450	5,572	1,649
Parks & gardens	-	170	-	-	600	600	500	1,060	837
Sportsfields & stadia	-	1,200	-	1,300	-	-	-	-	-
Community halls	-	1,100	-	132	1,000	1,000	500	-	-
Libraries	294	-	-	74	149	149	100	106	112

Fire, safety & emergency	80	1,153	–	860	603	603	2,350	1,650	300
Security and policing	300	274	–	650	845	845	4,900	2,756	400
Cemeteries	800	1,095	–	3,350	130	130	100	–	–
Other	2,750	2,540	–	99	–	–	–	–	–
Heritage assets	–	4,914	11,891	–	–	–	–	–	–
Buildings	–	4,914	11,891	–	–	–	–	–	–
Investment properties	15,000	6,472	–	11,903	15,400	15,400	21,200	33,385	–
Housing development	–	–	–	–	–	–	–	–	–
Other	15,000	6,472	–	11,903	15,400	15,400	21,200	33,385	–
Other assets	1,130	3,244	880	7,787	1,245	1,245	3,228	3,879	3,922
General vehicles	–	–	–	–	340	340	–	–	–
Specialised vehicles	–	–	–	200	–	–	–	–	–
Plant & equipment	–	1,816	–	–	–	–	–	–	–
Computers - hardware/equipment	–	974	607	–	–	–	–	–	–
Furniture and other office equipment	1,130	429	163	470	500	500	1,100	650	500
Other	–	25	109	7,117	405	405	2,128	3,229	3,422
Total Capital Expenditure on new assets	43,803	43,397	34,283	86,987	71,425	71,425	90,440	105,998	72,088

Table 59 MBRR SA34c - Repairs and maintenance expenditure by asset class

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
Repairs and maintenance expenditure by Asset Class/Sub-class									
Infrastructure	628	2,026	2,705	3,563	3,882	3,882	5,040	5,342	5,663
Infrastructure - Road transport	310	879	2,061	2,010	2,011	2,011	2,190	2,321	2,461
<i>Roads, Pavements & Bridges</i>	310	879	2,061	2,010	2,011	2,011	2,190	2,321	2,461
<i>Storm water</i>	–	–	–	–	–	–	–	–	–
Infrastructure – Electricity	318	1,116	643	1,553	1,871	1,871	2,850	3,021	3,202
<i>Generation</i>	–	–	–	–	–	–	–	–	–
<i>Transmission & Reticulation</i>	–	–	–	–	–	–	–	–	–
<i>Street Lighting</i>	318	1,116	643	1,553	1,871	1,871	2,850	3,021	3,202
Infrastructure – Other	–	31	–	–	–	–	–	–	–
<i>Waste Management</i>	–	31	–	–	–	–	–	–	–
Community	431	550	648	1,771	1,364	1,364	1,377	1,385	1,547
Parks & gardens	2	36	5	55	60	60	63	67	71
Sportsfields & stadia	–	–	–	–	–	–	–	–	–
Community halls	–	–	198	648	179	179	163	173	183
Libraries	–	–	5	6	6	6	6	6	6
Fire, safety & emergency	77	111	158	77	260	260	300	318	337
Security and policing	–	–	172	–	–	194	–	–	145

				126	194		129	136	
Other	352	403	109	860	666	666	716	685	805
<u>Heritage assets</u>	–	–	–	–	–	–	–	–	–
Buildings									
Other									
<u>Investment properties</u>	–	–	–	–	–	–	–	–	–
Housing development									
Other									
<u>Other assets</u>	–	–	493	483	1,021	1,021	1,020	1,081	1,146
General vehicles	–	–	493	483	1,021	1,021	1,020	1,081	1,146
Specialised vehicles	–	–	–	–	–	–	–	–	–
Plant & equipment	–	–	–	–	–	–	–	–	–
Computers - hardware/equipment	–	–	–	–	–	–	–	–	–
Furniture and other office equipment	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–	–
Total Repairs and Maintenance Expenditure	1,059	2,576	3,845	5,816	6,267	6,267	7,437	7,808	8,356

Table 49 MBRR SA35 - Future financial implications of the capital budget

Vote Description	2011/12 Medium Term Revenue & Expenditure Framework			Forecasts			
	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14	Forecast 2014/15	Forecast 2015/16	Forecast 2016/17	Present value
R thousand							
<u>Capital expenditure</u>							
EXECUTIVE AND COUNCIL	–	–	–	n/a	n/a	n/a	n/a
CORPORATE SERVICES	2,000	–	–	n/a	n/a	n/a	n/a
BUDGET AND TREASURY	1,100	650	500	n/a	n/a	n/a	n/a
COMMUNITY AND SOCIAL SERVICES	200	212	225	n/a	n/a	n/a	n/a
PUBLIC SAFETY	7,250	5,950	700	n/a	n/a	n/a	n/a
PARKS AND RECREATION	1,000	1,060	1,124	n/a	n/a	n/a	n/a
WASTE MANAGEMENT	150	159	169	n/a	n/a	n/a	n/a
PLANNING AND DEVELOPMENT	21,328	33,385	–	n/a	n/a	n/a	n/a
ROAD TRANSPORT	43,113	34,983	50,370	n/a	n/a	n/a	n/a
ELECTRICITY SERVICES	14,300	29,600	19,000	n/a	n/a	n/a	n/a
Total Capital Expenditure	90,441	105,999	72,087	–	–	–	–
<u>Future operational costs by vote</u>							
EXECUTIVE AND COUNCIL	27,848	29,519	31,291	n/a	n/a	n/a	n/a
CORPORATE SERVICES	23,769	23,001	24,459	n/a	n/a	n/a	n/a
BUDGET AND TREASURY	48,787	56,423	60,253	n/a	n/a	n/a	n/a
COMMUNITY AND SOCIAL SERVICES	7,204	7,636	8,094	n/a	n/a	n/a	n/a

PUBLIC SAFETY	26,239	26,078	22,036	n/a	n/a	n/a	n/a
PARKS AND RECREATION	4,773	5,059	5,362	n/a	n/a	n/a	n/a
WASTE MANAGEMENT	10,401	11,025	11,686	n/a	n/a	n/a	n/a
PLANNING AND DEVELOPMENT	31,483	44,150	11,411	n/a	n/a	n/a	n/a
ROAD TRANSPORT	51,562	48,871	59,486	n/a	n/a	n/a	n/a
ELECTRICITY SERVICES	79,975	101,345	93,009	n/a	n/a	n/a	n/a
Total future operational costs	312,041	353,106	327,088	–	–	–	–
<u>Future revenue by source</u>							
Property rates	83,461	88,468	93,777	n/a	n/a	n/a	n/a
Property rates - penalties & collection charges	2,501	2,651	2,810	n/a	n/a	n/a	n/a
Service charges - electricity revenue	91,378	96,861	102,673	n/a	n/a	n/a	n/a
Service charges - water revenue	–	–	–	n/a	n/a	n/a	n/a
Service charges - sanitation revenue	–	–	–	n/a	n/a	n/a	n/a
Service charges - refuse revenue	15,500	14,840	15,730	n/a	n/a	n/a	n/a
Service charges - other	–	–	–	n/a	n/a	n/a	n/a
Rental of facilities and equipment	–	–	–	n/a	n/a	n/a	n/a
Fines	7,002	7,422	7,867	n/a	n/a	n/a	n/a
Other Revenue	112,199	142,864	104,231	n/a	n/a	n/a	n/a
Total future revenue	312,041	353,106	327,088	–	–	–	–
Net Financial Implications	90,441	105,999	72,087	–	–	–	–

Table 50 MBRR SA36 - Detailed capital budget per municipal vote

Municipal Vote/Capital project R thousand	Prior year outcomes		2011/12 Medium Term Revenue & Expenditure Framework			Project information	
	Audited Outcome 2009/10	Current Year 2010/11 Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14	Ward location	New or renewal
Parent municipality: <i>List all capital projects grouped by Municipal Vote</i>							
Trading Services							
Electricity projects		9,748	12,300	29,600	19,000		
Waste Managements Projects		2,930	150	159	169		
Community and Public Safety							
Housing Projects		15,400	21,200	33,385	–		
Social Development		1,950	1,200	1,272	1,348		
Public Safety		1,250	7,250	5,950	700		
Municipal Governance and Admin							
Finance and Administration		1,058	3,100	650	500		
Economic and Enviromental Affairs							
Planning and Development		300	128	–	–		
Roads and Streets		43,420	45,113	34,983	50,370		
Total Capital expenditure			90,441	105,999	72,087		

Table 51 MBRR SA37 - Projects delayed from previous financial year

Municipal Vote/Capital project R thousand	Project name	Project number	Asset Class 3.	Asset Sub-Class 3.	Previous target year to complete	Current Year 2010/11		2011/12 Medium Term Revenue & Expenditure Framework		
						Original Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
					Year					
Infrastructure and Planning	Kokstad roads phase 4				2012	15,000	15,000	13,572	679	–
	Barclay Roads Rehabilitation				2011	3,080	3,080	662	–	–
	Murray park				2011	1,000	1,000	70	–	–
	Shayamoya Taxi Route				2011	800	800	500	–	–
	Bhongweni Stadium				2011	50	50	50	–	–
	Bhongweni-Shayamoya Link Road				2011	90	90	90	–	–
	Bhongweni area 5&6 roads				2013	63	63	70	1,013	1,025

2.11 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.

2. Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme and has employed three interns undergoing training in various divisions of the Financial Services Department. Of the three interns one has been appointed permanently from July 2008. Three additional interns have been appointed with effect from 1 February 2011.

3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee

An Audit Committee has been established and is fully functional.

5. Service Delivery and Implementation Plan

The detail SDBIP document is at a draft stage and will be finalised after approval of the 2010/11 MTREF in May 2010 directly aligned and informed by the 2011/12 MTREF.

6. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. MFMA Training

The MFMA training module in electronic format is presented at the Municipality's internal centre and training is ongoing.

8. Policies

An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009 was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

2.12 Other supporting documents

Table 52 MBRR Table SA1 - Supporting detail to budgeted financial performance

Description	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand										
REVENUE ITEMS:										
<u>Property rates</u>										
Total Property Rates	22,244	20,599	76,237	72,771	80,398	80,398	80,398	83,461	88,468	93,777
less Revenue Foregone			18,000	13,227	18,000	18,000	18,000	9,001	9,541	10,113
Net Property Rates	22,244	20,599	58,237	59,544	62,398	62,398	62,398	74,460	78,928	83,663
<u>Service charges - electricity revenue</u>										
Total Service charges - electricity revenue	39,318	33,636	55,025	58,884	75,510	75,510	75,510	91,378	96,861	102,673
less Revenue Foregone										
Net Service charges - electricity revenue	39,318	33,636	55,025	58,884	75,510	75,510	75,510	91,378	96,861	102,673
<u>Service charges - refuse revenue</u>										
Total refuse removal revenue	6,855	6,609	9,165	8,489	12,000	12,000	12,000	15,500	14,840	15,730
Net Service charges - refuse revenue	6,855	6,609	9,165	8,489	12,000	12,000	12,000	15,500	14,840	15,730
<u>Other Revenue by source</u>										
Other revenue	30,245	35,673	42,503	16,827	64,452	64,452	64,452	65,286	90,959	51,066
Total 'Other' Revenue	30,245	35,673	42,503	16,827	64,452	64,452	64,452	65,286	90,959	51,066
EXPENDITURE ITEMS:										
<u>Employee related costs</u>										
Salaries and Wages	34,245	40,411	59,959	49,927	60,459	60,459	60,459	73,487	77,896	82,570
<i>sub-total</i>	34,245	40,411	59,959	49,927	60,459	60,459	60,459	73,487	77,896	82,570
<u>Less: Employees costs capitalised to PPE</u>										
Total Employee related costs	34,245	40,411	59,959	49,927	60,459	60,459	60,459	73,487	77,896	82,570
<u>Depreciation & asset impairment</u>										

Depreciation of Property, Plant & Equipment	–	–	3,865	–	2,000	2,000	2,000	2,000	2,120	2,247
Total Depreciation & asset impairment	–	–	3,865	–	2,000	2,000	2,000	2,000	2,120	2,247
<u>Bulk purchases</u>										
Electricity Bulk Purchases	16,378	28,928	33,586	33,545	43,750	43,750	43,750	50,350	53,371	56,573
Total bulk purchases	16,378	28,928	33,586	33,545	43,750	43,750	43,750	50,350	53,371	56,573
<u>Other Expenditure By Type</u>										
Collection costs	208	–	660	200	700	700	700	600	636	674
Contributions to 'other' provisions	2,821	10,285	15,302	29,505	5,330	5,330	5,330	6,679	7,068	7,493
Audit fees	565		852	800	2,000	2,000	2,000	2,500	2,650	2,809
General expenses	40,202	43,239	70,442	59,260	138,212	138,212	138,212	122,856	126,603	133,846
<i>Repairs and Maintenance</i>	1,076	1,920	582	5,817	6,267	6,267	6,267	7,436	7,808	8,356
Total 'Other' Expenditure	44,872	55,444	87,838	95,581	152,508	152,508	152,508	140,071	144,766	153,177

Table 53 MBRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department)

Description	EXECUTIVE AND COUNCIL	CORPORATE SERVICES	BUDGET AND TREASURY	COMMUNITY AND SOCIAL SERVICES	PUBLIC SAFETY	PARKS AND RECREATION	WASTE MANAGEMENT	PLANNING AND DEVELOPMENT	ROAD TRANSPORT	ELECTRICITY SERVICES	Total
R thousand											
Revenue By Source											
Property rates	–	–	83,461	–	–	–	–	–	–	–	83,461
Property rates - penalties & collection charges	–	–	2,501	–	–	–	–	–	–	–	2,501
Service charges - electricity revenue	–	–	–	–	–	–	–	–	–	91,378	91,378
Service charges - refuse revenue	–	–	–	–	–	–	15,500	–	–	–	15,500
Interest earned - external investments	–	–	1,000	–	–	–	–	–	–	–	1,000
Interest earned - outstanding debtors	–	–	11	–	–	–	–	–	–	–	11
Fines	–	–	–	2	7,000	–	–	–	–	–	7,002
Licences and permits	–	–	–	–	6,600	–	–	–	–	–	6,600
Other revenue	–	500	10,809	476	–	400	–	2,769	5	1,304	16,263
Transfers recognised - operational	1,000	1,200	46,702	1,404	–	–	–	21,200	16,820	–	88,326
Total Revenue (excluding capital transfers and contributions)	1,000	1,700	144,483	1,882	13,600	400	15,500	23,969	16,825	92,682	312,041
Expenditure By Type											
Employee related costs	6,347	8,045	10,124	5,617	13,797	3,465	7,691	7,318	7,290	7,436	77,128
Remuneration of councillors	4,819	–	–	–	–	–	–	–	–	–	4,819
Debt impairment	–	–	2,500	–	–	–	–	–	–	–	2,500
Depreciation & asset impairment	–	–	2,000	–	–	–	–	–	–	–	2,000
Finance charges	–	–	–	–	–	–	–	–	–	1,525	1,525
Bulk purchases	–	–	–	–	–	–	–	–	–	50,350	50,350
Transfers and grants	–	–	–	540	–	150	–	21,200	15,927	–	37,817
Other expenditure	17,170	15,724	36,663	1,387	12,442	1,308	2,710	2,965	28,272	19,761	138,402
Total Expenditure	28,335	23,769	48,787	7,544	26,239	4,923	10,401	31,483	51,489	79,071	312,041
Surplus/(Deficit)	(27,335)	(22,069)	95,696	(5,662)	(12,639)	(4,523)	5,099	(7,514)	(34,663)	13,611	0

Table 54 MBRR Table SA3 – Supporting detail to Statement of Financial Position

Description	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand										
ASSETS										
<u>Call investment deposits</u>										
Call deposits < 90 days										
Other current investments > 90 days	25,202	16,245	4,283	–	–	–	–	–	–	–
Total Call investment deposits	25,202	16,245	4,283	–	–	–	–	–	–	–
<u>Consumer debtors</u>										
Consumer debtors	34,711	31,787	41,089	52,964	52,964	52,964	52,964	72,724	84,645	99,507
Less: Provision for debt impairment	(8,504)	(23,376)	(36,261)	(34,085)	(34,085)	(34,085)	(34,085)	(49,139)	(53,402)	(56,670)
Total Consumer debtors	26,207	8,411	4,828	18,879	18,879	18,879	18,879	23,585	31,243	42,837
<u>Debt impairment provision</u>										
Balance at the beginning of the year	2,160	8,504	23,376	36,261	36,261	36,261	36,261	41,537	49,139	53,402
Contributions to the provision Bad debts written off	6,344	14,872	12,886	5,276	5,276	5,276	5,276	7,602	4,263	3,268
Balance at end of year	8,504	23,376	36,262	41,537	41,537	41,537	41,537	49,139	53,402	56,670
<u>Property, plant and equipment (PPE)</u>										
PPE at cost/valuation (excl. finance leases) Leases recognised as PPE	290,625	270,539	304,798	344,467	344,467	344,467	344,467	468,041	594,083	699,301
Less: Accumulated depreciation	274,009	255,626	293,597	306,370	306,370	306,370	306,370	312,024	323,337	340,431
Total Property, plant and equipment (PPE)	16,616	14,913	11,201	38,097	38,097	38,097	38,097	156,018	270,746	358,870
LIABILITIES										
<u>Current liabilities - Borrowing</u>										
Short term loans (other than bank overdraft) Current portion of long-term liabilities	2,408	2,959	3,208	2,732	2,732	2,732	2,732	4,830	3,808	2,891
Total Current liabilities - Borrowing	2,408	2,959	3,208	2,732	2,732	2,732	2,732	4,830	3,808	2,891
<u>Trade and other payables</u>										
Trade and other creditors Unspent conditional transfers VAT	18,234	17,939	17,211	17,893	17,893	17,893	17,893	19,269	20,646	22,022
Total Trade and other payables	18,234	17,939	17,211	17,893	17,893	17,893	17,893	19,269	20,646	22,022
<u>Non current liabilities - Borrowing</u>										
Borrowing Finance leases (including PPP asset element)	17,207	14,237	10,331	5,261	5,261	5,261	5,261	1,776	–	–
Total Non current liabilities - Borrowing	17,207	14,237	10,331	5,261	5,261	5,261	5,261	1,776	–	–
<u>Provisions - non-current</u>										
Retirement benefits List other major provision items Refuse landfill site rehabilitation Other	–	–	–	–	–	–	–	–	–	–
Total Provisions - non-current	–	–	–	–	–	–	–	–	–	–
CHANGES IN NET ASSETS										
<u>Accumulated Surplus/(Deficit)</u>										
Accumulated Surplus/(Deficit) - opening balance	(6,324)	7,009	(27,860)	–	–	–	–	–	–	–
GRAP adjustments	–	–	–	–	–	–	–	–	–	–
Restated balance Surplus/(Deficit)	(6,324)	7,009	(27,860)	–	0	0	–	(0)	–	0

	819	(30,722)	11,624	0			(6,267)		0	
Appropriations to Reserves	12,514	(4,147)	3,385	-	-	-	-	-	-	-
Transfers from Reserves	-	-	-	-	-	-	-	-	-	-
Depreciation offsets	-	-	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-	-	-	-
Accumulated Surplus/(Deficit)	7,009	(27,860)	(12,851)	0	0	0	(6,267)	(0)	0	0
<u>Reserves</u>										
Housing Development Fund	-	-	-	-	-	-	-	-	-	-
Capital replacement	-	-	-	-	-	-	-	-	-	-
Capitalisation	-	-	-	-	-	-	-	-	-	-
Government grant	-	-	-	-	-	-	-	-	-	-
Donations and public contributions	-	-	-	-	-	-	-	-	-	-
Self-insurance	-	-	-	-	-	-	-	-	-	-
Other reserves (<i>list</i>)	40,245	44,159	47,267	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-	-
Total Reserves	40,245	44,159	47,267	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	47,254	16,299	34,416	0	0	0	(6,267)	(0)	0	0

Table 55 MBRR Table SA9 – Social, economic and demographic statistics and assumptions

Description of economic indicator	Basis of calculation	1996 Census	2001 Census	2007 Survey	2007/8	2008/9	2009/10	Current Year 2010/11	2011/12 Medium Term Revenue & Expenditure Framework		
Demographics											
Population			57	47	60	64	66	68	70	72	74
Females aged 5 - 14											
Males aged 5 - 14											
Females aged 15 - 34											
Males aged 15 - 34											
Unemployment			17	16	16	16	16	23	23	23	23
Household income (households) (1.)	-										
None			37,339	32,728	32,728	32,728	32,728	37,136	37,136	37,136	37,136
R1 - R4800			13,743	10,025	10,025	10,025	10,025	16,445	16,445	16,445	16,445
R4800 - R9600			5,444	3,971	3,971	3,971	3,971	2,948	2,948	2,948	2,948
Poverty profiles (2.)											
Insert description											
Household/demographics (000)											
Number of people in municipal area			56,526	46,724	46,724	46,724	46,724	57	57	57	57
Number of poor people in municipal area											
Number of households in municipal area			19,633	14,321	14,321	14,321	14,321	21	21	21	21
Number of poor households in municipal area											
Definition of poor household (R per month)											
Housing statistics (3.)											
Formal				11,171	11,171	11,171	11,171	17,171	17,171	17,171	17,171
Informal				3,150	3,150	3,150	3,150	3,389	3,389	3,389	3,389
Total number of households		-	-	14,321	14,321	14,321	14,321	20,560	20,560	20,560	20,560
Dwellings provided by municipality (4.)				6,000	6,000	6,000	6,000	6,900	6,900	6,900	6,900
Dwellings provided by province/s				2,000	2,000	2,000	2,000	2,100	2,100	2,100	2,100
Dwellings provided by private sector (5.)											
Total new housing dwellings		-	-	8,000	8,000	8,000	8,000	9,000	9,000	9,000	9,000
Economic (6.)											
Inflation/inflation outlook (CPIX)											
Interest rate - borrowing											
Interest rate - investment											
Remuneration increases					5.6%	8.0%	10.5%	8.3%	10.2%	5.5%	5.6%
Consumption growth (electricity)					2.9%	2.9%	1.0%	1.5%	2.0%	2.5%	3.0%
Consumption growth (water)					0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Collection rates (7.)											
Property tax/service charges					80.0%	85.0%	80.0%	75.0%	90.0%	90.0%	90.0%
Rental of facilities & equipment					0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest - external investments					0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest - debtors					0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Revenue from agency services					0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Table 56 MBRR SA32 – List of external mechanisms

External mechanism	Yrs/ Mths	Period of agreement 1.	Service provided	Expiry date of service delivery agreement or contract	Monetary value of agreement 2.
Name of organisation		Number			R thousand
MT CURRIE TRACTORS	Mths	36	LEASE OF TRACTORS	30-04-2012	270
WESBANK	Mths	60	VEHICLE LEASE	13-02-2015	2,300
NASHUA	Mths	36	PHOTOCOPIER	22-04-2011	81
NASHUA	Mths	60	PHOTOCOPIER	11-07-2012	193
NASHUA	Mths	36	DIGITAL COPIERS	19-09-2012	131
AVIS FLEET SERVICES	Mths	36	VEHICLE LEASE	1-11-2014	1,052

2.13 Municipal manager's quality certificate

I **Mxolisi Alexius Nkosi** municipal manager of Greater Kokstad Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Municipal manager of Greater Kokstad Municipality (KZN 433)

Signature _____

Date _____